



NEWS SUMMARY

GENERAL

BUSINESS

Foot puts UK unity first
U.S. \$ shows strong gain

STERLING gained 40 points to \$1.6525; its weighted depreciation narrowed to 4.63 (4.6) per cent. The dollar's depreciation of 0.18 per cent, was trans-

ferred to the Statute Book by the end of this Parliament.

Mr. Michael Foot, Lord President and Minister with overall responsibility for devolution described the Bill as the best method the Government could devise to give more democratic control to Scotland and Wales while maintaining U.K. unity.

Two possible additions to the Bill are provisions for a referendum in Scotland and Wales and the granting of revenue raising powers in Scotland. Back, Pages 16 and 30

Gulf widens at Rhodesia talks

Against the background of the expected arrival of delegation of the Zimbabwe Liberation Army and its leaders, the gap between black and white politicians at the Geneva conference on Rhodesia widened further, yesterday as each side publicly declared positions hardened on the formation of an interim Government. Page 7

Carter may cast Dr. K as mediator

Mr. Jimmy Carter, U.S. President-elect, in a two-hour television interview, said he intended to give much more emphasis to international economic problems, adding that he might use Dr. Henry Kissinger as a mediator on an ad hoc basis. Page 6

Britain wins motor rally

Britain's Roger Clark last night won the Lombard-Rome rally in a works Ford Escort RS 1600 after an exciting final day in which Poland's Penti Arikakala was beaten runner for most of the 1,000-mile round Britain tour. Page 8

Pools prize tax idea rejected

The idea of a general levy on gambling or a tax on pools prize money to aid sport are rejected in the interim report of the Royal Commission on Gambling. Page 8 Tennis: The All England Club is to increase prize money next year's centenary Wimbledon by £50,494 to £218,385. Page 8

Roads flooded

More than 12 hours of continuous rain throughout much of southern England has left many roads under several feet of water. Severe limits were imposed on the A1 and M4. Page 8

Death decision

The death sentence on convicted U.S. murderer Gary Gilmore, 31, who is pleased to be allowed to die before a firing squad, should be carried out, the Utah Pardons Board announced.

Briefly

West German police have arrested Siegfried Haag, 31, whom they describe as a notorious member of the Hitler-Meinoh gang. Twenty-year-old Air Commodore A. C. Cecil-Wright has been made president of the Kennel Club.

Two cases of typhoid have been diagnosed and three more are expected from British Airways flight 834 which left London for Australia on October 29.

The Cambridge Parliamentary election takes place to-morrow. Page 16

Australia's state Parliament has made rape within marriage a crime. Page 26

PRICE CHANGES YESTERDAY

Prices in pence unless otherwise indicated

RISES

1 (W. W.) 39 + 2
1 (W. L.) 18 + 5
1 (S) " 39 + 5
1 (S) 100 + 5
1 (S) 100 + 15

FALLS

1 (W. W.) 39 - 2
1 (W. L.) 18 - 4
1 (S) " 39 - 5
1 (S) 100 - 5
1 (S) 100 - 15

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1 (W. L.) 18 - 4
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Accounting proposals gain wide support

BY MICHAEL LAFFERTY, CITY STAFF

The proposed new inflation accounting system, known as current cost accounting (CCA), launched yesterday by the Accounting Standards Committee, the rule-making body on accounting matters, has received strong support from the Government, the Opposition, industry, and the City.

The new system, which is to define the substance of the new system, is to be based on the report of the Sandlands Committee of Enquiry published in September 1975, will now be open for a six-month period of public debate. Then a definitive accounting standard will be drawn up for publication probably in early 1978.

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The first phase of implementation will come to listed companies, other companies with assets or turnover in excess of £10m, and the nationalised industries for accounting periods starting after July 1, 1978.

A new seven-man working party, chaired by Professor Harold Edey of the London School of Economics, is being set up to reconsider the banks case. The Bank of England, which has played a significant role in preventing clearing banks from opposing the exposure draft, will have a representative on the working party.

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The exposure draft is a compromise between the Sandlands recommendations, which only deal with the specific impact of inflation on physical assets—stocks and plant—and the accountancy profession's earlier preference for a system known as current purchasing power accounting whereby all figures in existing historic accounts are as soon as practicable.

Mr. Dell agreed that the new accounting system should apply to nationalised industries and other public trading entities subject to any necessary adjustment to meet their special circumstances.

The Government is giving separate consideration to the question of using CCA for taxation and price control purposes.

Sir Geoffrey Howe, Shadow Chancellor, welcomed the exposure draft but said there were still some hurdles to be cleared before it could be finally adopted. "In particular the application of the discretionary powers of directors over transfers to reserve, the treatment of deferred taxation, and other matters that may reduce the comparability of accounts will need attention," he said.

The proposals also met with general approval from the Confederation of British Industry, the Stock Exchange, the Institute of Directors, and the 100 Group of top finance directors.

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EUROPEAN NEWS

Turkey agrees DM 1.5 bn arms deal with W. Germans

BY METIN MUNIR

AGREEMENT in principle has a programme to modernise a number of Turkish tanks by fitting diesel engines and sophisticated manufacturers in talks here last week, but the formidable obstacle of financing the deal is still unsolved, an official source neither confirms nor denies this.

The German side is willing tanks, missiles, spare parts and good result," the source said.

ANKARA, Nov. 30.

But it would be "very difficult" to finalise the deal because of financing problems. Turkey's foreign currency position is weak, with no immediate prospects of improvement, and Ankara is seeking long-term financing on credit.

Further discussions are said to be needed to determine whether the arms manufacturers would be able to obtain credits from German banks, and the Germans were also keen to learn how much money would be allocated to defence in the 1977 Turkish budget, which should be unveiled tomorrow.

The deal would not mean that West Germany would displace the US as Turkey's main arms suppliers, and it was not possible for Germany to do so in any case, the source said.

Last year Congress imposed an embargo on US arms supplies to Turkey, under the influence of the Greek-American lobby, in order to force Turkey to make concessions to Cyprus in favour of Cyprus. It has since been relaxed, but a \$1.3bn. limit earlier this year still requires Congressional approval.

If it goes through, the German deal will be the single biggest concluded by Turkey since the Cyprus war of 1974.

The Socialists insist that the elections will not be democratic Labour Party Deputy Leader, unless all parties, including the Communists, are allowed to par-

take.

Although the PSOE is still of them for talks, especially Herr

illegal, as it refuses to submit to Willy Brandt. Before plans for the Government's vetting procedures, the congress will mark an important step towards its halting because of Government participation in the elections.

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Mr. Michael Foot, the U.K.

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Spanish congress allowed

BY ROGER MATTHEWS

MADRID, Nov. 30.

THE SPANISH Government gave a ticipate — an argument the Government approval for the Spanish Government will not accept. They Socialist Workers' Party (PSOE) have threatened to campaign for to hold its first congress in abstentions in the December 15 Madrid, since the end of the referendum on constitutional Civil War. Prominent European Socialist leaders are expected to join several hundred national Prime Minister Adolfo Suárez delegates during the four days likely to take advantage of the of debates beginning next Sunday presence of European Socialist day at a leading Madrid hotel.

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Barre holds back on reflation

BY OUR OWN CORRESPONDENT

PARIS, Nov. 30.

W. RAYMOND BARRE, the French Prime Minister, has re-emphasised, in refuting the desired results of the Government's reflation package as long as inflation and the trade deficit were September had been achieved and running at their current high this would take several months.

Another member of the government, M. Michel Durafour, the deputy Minister of Finance, also gave a sharp warning to the service industries at the weekend that the price freeze, due to be lifted on January 1, would be extended if this sector continued to ignore the price regulations.

At the same time, M. Barre stressed that the Government had no intention of achieving its

another measure of selective measures were under consideration to encourage private investment, which would create jobs, and Government aid for the restructuring of industrial sectors in difficulty was also envisaged.

In this context, M. Christian Beuila, the Minister of Labour, has promised that the provisions, under which workers laid off because of the slackness of the economy continue to receive 90 per cent. of their wages for one year, would remain in force.

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New French steel borrowing

BY DAVID CURRY

PARIS, Nov. 30.

THE FRENCH steel industry is raising vehicle of the steel raising a further Frs.375m. on industry. On the international the domestic market to bring its market the GIS has already total borrowings on the home raised Frs.60m. by way of a and international markets this private placement and \$25m. on year to Frs.2.3bn.—representing the Euromarket.

about 85 per cent. of the A ten-year loan for Frs.700m. Frs.2.7bn. expected to be invested is being issued at par with a coupon of 11.4 per cent. while by the industry this year.

The money is being raised by the GIS is raising a further the Groupement de l'Industrie Frs.275m. by an exchange of Siderurgique which is the fund.

Mr. Jacques Ferry, head of the French Steelmakers Federation, noted that steel companies would face financial charges of some Frs.1.7bn. this year. He said that industrial modernisation would have to be pushed hard within each company and that France's poor productivity record, which was surpassed only by Britain, would have to be improved. He suggested that a 1 to 1½ per cent. subsidy the industry received from the government on some of its borrowings could be raised to 5 per cent. but this suggestion seems unlikely to go down well at the Finance Ministry.

Current medium and long term debts being carried by the industry totalled between Frs.32bn. and Frs.33bn. almost exactly equivalent to this year's expected turnover.

The main beneficiaries of the borrowing will be Usinor (Fr. 155m.); Sacilor-Solac (Fr. 228m.); an ette Mediterranean complex of Solmer (Fr.65m.).

Some of the examples of

Nato's inefficiency which the

author gives would be comi

if their implications were not so

serious. During a recent joint

Nato exercise, it was found that

more than half the alliance's

maritime patrol aircraft, which

were theoretically destroyed, had

been shot down by Nato's own

guns, because of a lack of

standardised communications

systems.

The author does not deny that

substantial efforts have been

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weapons and to harmonise pro-

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and between the European members of the alliance and the U.S. Nato's \$4bn. infrastructure programme to facilitate joint operations, the establishment of 220 Nato air-fields to provide an air defence capability all along the area's force made up of units from seven countries supported by seven national airfields, and even some integrated Nato airfields, countries in the production of aircraft can resupply or reload only air-arms.

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EUROPEAN NEWS

DAVID SATTER, Our Moscow Correspondent, recently back from a journey to the Uzbek Republic, reports on one of the USSR's remotest regions.

The sickle and the crescent

ON A BUSY boulevard, across from Tashkent's large department store, stands a 15th-century school for training Moslem priests. Passed by million-crowds and traffic, the rectangular building with its mosaic walls and pointed arches provides a silent reminder in modern, multi-national Tashkent of a traditional Islamic past.

The past is easy to forget in Tashkent, the capital of the Uzbek Soviet Republic and a city of 1.8m. Already the most Sovietised of the Republic's major cities, Tashkent is embarking on a construction programme which will provide modern housing for thousands of people—but which will also involve the destruction of old Uzbek districts with their crowded, one-story clay houses, dimly-lit passageways and winding streets.

Tashkent is expected to have a population of 2.6m. by 1980, which could make it the third largest city in the Soviet Union after Moscow and Leningrad. The increase is expected to result from immigration from the countryside and a rate of natural increase in Uzbekistan of 3.5 per cent. a year compared to 1 per cent. for the Soviet Union as a whole.

The future city is to consist of multi-storey apartment buildings—open squares, parks kept green by the city irrigation network and artificial lakes. A sports stadium with a seating capacity of 100,000 is to be erected and a new underground railway built to withstand Central Asian seismic disturbances is to be built with an ultimate length of 40 kilometres. The first 12-kilometre leg of the system is to open next year.

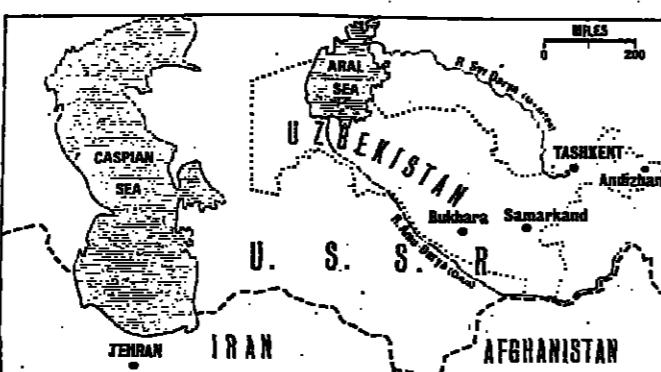
The changes in Tashkent, and similar, although less extensive, physical changes planned for such cities as the fabled Silk Route as Samarkand and Bukhara reflect the continuing modernisation of the Uzbek Soviet Republic, an ancient land of merciless heat and parched, barren steppes which has been transformed since the Russian revolution from a neglected oriental backwater into a major industrial and agricultural centre.

In 1913, there was little industry in Uzbekistan aside from a few cotton plants in the hands of private owners. To-day, 88 per cent. of the Republic's products are industrial and there are a hundred only 2 per cent. of the popula-

tion could read and write before the revolution.

In the 1920s, the first woman to appear on stage in Tashkent was murdered, as were women who removed their veils in Samarkand. Today, 78 per cent. of the Republic's teachers and doctors are women, and 100,000 of Uzbekistan's 489,000 communists are party members.

Uzbekistan produces two-thirds of the Soviet Union's cotton, accounts for 14 per cent. of its gas production and contains a high proportion of its cotton-related industry. The Republic has a population of 14.5m., 67 per cent. of whom are



cultural output was six times greater in 1975 than in 1913 and the production of cotton is expected to reach 30m. by the year 2000.

At the epicentre of the 1966 Tashkent earthquake, there is a monument encircled by a mural depicting the help in reconstructing Tashkent which came from each of the constituent Soviet Republics. The theme of the mural is that "friendship of peoples is stronger than the elements."

National self-expression is encouraged in Uzbekistan as long as it pre-supposes participation in a multi-national Soviet state. Newspapers are published in Uzbek, as well as in Russian, Tatar, Kazakh and Karakalpak. Uzbek composers and writers are studied and published. The Uzbek language book publishing industry is active and 70 per cent. of the broadcasts in Tamerlane's grave. Tamerlane himself, the Republic are in Uzbek. Children according to legend, had warned before he died that if anyone dared to disturb his grave there would be unimaginable suffering and the world would tremble.

The economic development of Uzbekistan brought fundamental social change. Improved medical care extended life expectancy from 32 to 72 and almost universal literacy now exists where only 2 per cent. of the popula-

tion was illiterate before the revolution.

The practice of the Moslem religion is tolerated but circumscribed. There are believed to be 30m. Moslems in the Soviet Union and, approximately 10m. of these live in Uzbekistan. Only 25 to 30 people a year, however, are able to make the pilgrimage to Mecca. The Koran was last published in 1973 in an edition of 29,000 copies and there is only one active school for training Moslem priests in Uzbekistan.

During the 1976-81 five-year plan, Uzbekistan is expected to continue to develop and modernise. Industrial output is targeted to grow 38 per cent over the five-year period. National income is to increase 32 per cent, capital investment 21 per cent. Agriculture is expected to grow by 26 per cent and total cotton production by 1980 is expected to approach 6m. tons a year. Real incomes in Uzbekistan are expected to grow 14 per cent.

It is likely that the symbols of traditional Uzbek culture, the Mosques and Madrasahs, will seem increasingly out of place in the modern, monotonous cities growing up around them. Soviet officials insist that the new pride of the Republic is its factories, like the cotton harvester plant at Tashkent which produces 8,000 harvesters a year, and its state farms, like those on the Hungry Steppes, barren desert transformed by irrigation into a major cotton producing area.

To some extent, the ideological preparations appear to be successful. Young Uzbeks study in universities all over the Soviet Union and the Uzbek local party officials expressed the usual limitless enthusiasm. The Mosques are attended by older people but few younger Moslems go regularly.

The Uzbeks are aware, however, of the separate culture in which they live. They see all around them and they still talk in Samarkand about what happened when Soviet researchers ignored the pleas of the people to open Tamerlane's grave. Tamerlane himself, the Republic are in Uzbek. Children according to legend, had warned before he died that if anyone dared to disturb his grave there would be unimaginable suffering and the world would tremble.

Tamerlane's grave was opened on June 21, 1941. The Germans invaded the Soviet Union and there was no time to express following day.

1. BANK OF AMERICA
2. CITIBANK
3. CHASE MANHATTAN
4. MANUFACTURERS HANOVER
5. CHEMICAL
6. MORGAN GUARANTY
7. CONTINENTAL ILLINOIS
8. BANKERS TRUST
9. FIRST NATIONAL, CHICAGO
10. SECURITY PACIFIC
11. WELLS FARGO
- 12.
13. CROCKER NATIONAL
14. UNITED CALIFORNIA
15. IRVING TRUST
16. MELLON
17. FIRST NATIONAL, BOSTON
18. NATIONAL BANK OF DETROIT
19. FIRST PENNSYLVANIA
20. BANK OF NEW YORK

Can you name the 12th largest bank in the U.S.?

We're a worldwide banking system with \$9.2 billion in deposits, which includes \$2 billion in personal savings.

We have \$541 million in capital, \$80 million in reserves, and \$10.5 billion in assets.

We have 316 branches throughout New York State and 29 offices throughout the world. Have you guessed our name yet?

We have our international operations based in New York City's financial district.

with key people in the world's major money centers. We have extensive experience in foreign exchange and in foreign currency management. Do you need another clue?

We do business with half of the leading U.S. national and multinational companies on the "Fortune 500" list. And over 750 banks in more than 130 countries.

Now do you know who we are?

We're the Marine Midland Bank.

Why you're much better off when you arrive in New York with TWA.

Because you arrive at TWA's own terminal. A very advanced building, designed by world-famous architect Eero Saarinen, offering its own International Arrivals facilities for the exclusive use of TWA passengers.

No other international airline offers you such privacy or, indeed, such a terminal.

Naturally it has everything you expect a good terminal to have. Places to eat, places to meet, as well as shops and a bank.

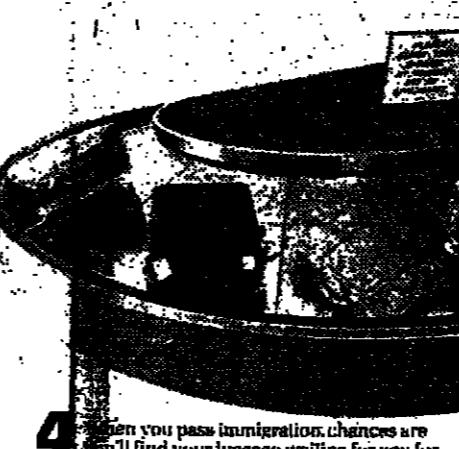
More important, its unique layout allows

the combination of maximum efficiency for traffic with the maximum comfort for passengers.

In fact, by the time you leave the plane and reach the front door of the building, having passed through immigration and customs on the way, you will have walked less than 100 yards.

Remember, the next time you cross the Atlantic, you're much better off to fly with the No. 1 scheduled airline.

You not only get a nice trip through the air. You get a nice trip through the terminal too.



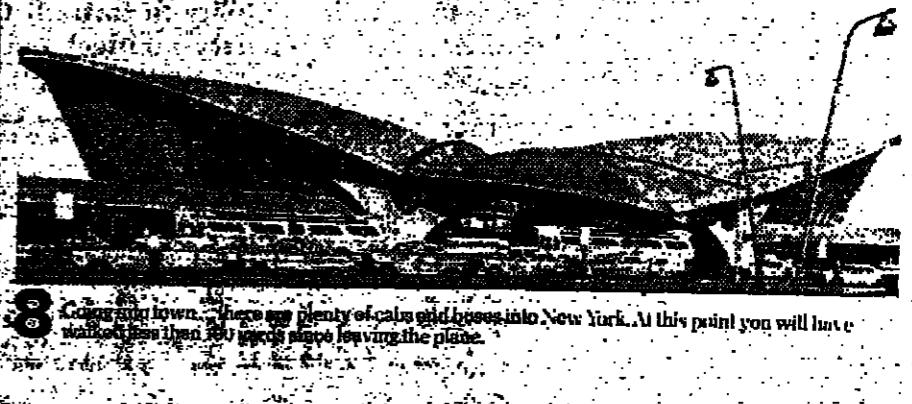
4 When you pass immigration, chances are you'll find your luggage waiting for you at a check-in counter of TWA's own terminal. That's another advantage of TWA passengers.



5 Exclusive customs clearance for TWA passengers. There are 30 benches to set you through faster.



7 Coming on somewhere... a few paces beyond customs you can check in for a TWA connecting flight from right here in the same building. Again, no other airline offers you this kind of convenience.



8 Coming down, when you plenty of calm and peace into New York. At this point you will have more time than 300 passengers leaving the plane.

9 enough to find a quiet place to sit and read. Your luggage is checked in and you're all set for a comfortable night's sleep. And you're still in New York, still in the same building, still in the same terminal, still in the same airline.

1. Now you're off to New York. You have the air right through a covered bridge so there's no worry about the weather. The first advantage of arriving in New York with the airline offering an exclusive terminal.

2. Inside the terminal you get straight onto the escalator down in the International Arrivals area which is exclusive to TWA passengers.

No other airline offers you this big advantage.

3. You pass through immigration faster because no other airline uses the terminal.

No other airline offers you this big advantage.

4. You pass through customs faster because no other airline uses the terminal.

No other airline offers you this big advantage.

5. You check in for a connecting flight from right here in the same building. Again, no other airline offers you this kind of convenience.

No other airline offers you this big advantage.

6. You have a quiet place to sit and read. Your luggage is checked in and you're all set for a comfortable night's sleep. And you're still in New York, still in the same building, still in the same terminal, still in the same airline.

No other airline offers you this big advantage.

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AMERICAN NEWS

Carter says Kissinger may act as mediator

BY DAVID SELL

President-elect Carter, the President-elect, said last night that he intended to give much more emphasis to "international economic problems" in his administration, firmly ruled out mandatory U.S. wage and price controls, and said he might use Dr. Henry Kissinger as a mediator on an ad hoc basis.

In a two-hour television interview with CBS, Mr. Carter was polite but non-committal about the future of the Secretary of State. He said that the Ford Cabinet officials to whom he had talked had promised him their co-operation, including Dr. Kissinger, and that it was a "possibility" that he might be able to act "on an ad hoc basis" as a mediator on Africa or the Middle East. But any continuing role were "highly unlikely."

The President-elect went out of his way to stress his conviction that "international economic issues" have been seriously neglected in the past few years, and that he intended to make sure that both the Secretary of the Treasury and the head of the National Security Council would be much more

concerned than in the recent past with international economics.

Mr. Carter said that he had learnt nothing which had shocked him in his post-election briefings with Dr. Kissinger and others with the Ford Cabinet and the election had delayed progress on a new strategic arms agreement with the Soviet Union.

"This is something that should have been solved months ago," he said.

He also noted that Dr. Kissinger had told him that the Soviet Union had never told a "flat lie" during negotiations, and that it was a "possibility" that he might be able to act "on an ad hoc basis."

On other matters, Mr. Carter said that it was "inevitable" that energy prices would rise sharply in the next few years and that energy conservation should therefore be an important priority of the new administration.

He said that he was not opposed to nuclear power plants, but that they should be more "friendly" to the environment. Mr. Carter repeated his campaign pledge that he would encourage greater standardization of safety features in power plants, and said he still intended to cut defence spending and professed himself to be happy with the current sale of environmental quality and efficiency standards.

WASHINGTON, Nov. 30.

Trudeau, Levesque to meet shortly

By VICTOR MACKIE

OTTAWA, Nov. 30. PREMIER RENE Levesque of Quebec and Prime Minister Pierre Trudeau will face each other in the negotiating table for the first time at a federal-provincial First Ministers conference in Ottawa on December 13 and 14. It will be the new Premier's first federal-provincial conference as the Quebec leader. He had asked that the proposed conference be postponed, but Alberta Premier Peter Lougheed said that he would be unable to attend a conference in January or early February.

The conference will be the first official occasion for the other nine provincial Premiers to meet Quebec's first independence Premier. Prime Minister Trudeau and Premier Levesque are old acquaintances, not friends. They were friendly some years ago, but came to a parting of the ways.

Mr. Levesque has already announced that his newly formed part Québécois Government will hold a brief pre-Christmas session of the Quebec assembly starting on December 14 to settle business left over by the former Liberal Government before the November 15 general election.

The Canadian constitution will be the main topic but federal provincial tax sharing arrangements will also be discussed at the meeting.

Prime Minister Trudeau has raised the possibility that the federal government might act unilaterally to bring the constitution home to Canada if it cannot reach agreement with the provincial Governments on the terms of patriation.

Meanwhile in Calgary, Premier Peter Lougheed voiced concern that Ottawa may become so concerned over Quebec that important matters affecting the welfare of the rest of Canada may be excluded from immediate consideration.

Many moderate Republicans are still afraid that Mr. Connally harbours presidential ambitions and that the party chairmanship would be a suitable vehicle in which to advance them. Although still considered one of the more articulate Republican spokesmen, his cause has not been helped by the fact that in the general election he failed to deliver Texas to President Ford or any congressional seats to the Republican Party, thus denting his vaunted reputation as one of the best vote getters in the party.

WASHINGTON, Nov. 30.

BY JUREE MARTIN, U.S. EDITOR

SENATOR Robert Dole, one of the more divisive of recent vice-presidential candidates, to-day exhorted the Republican Party to "abandon ideological hairs" and start trying to win elections.

Addressing the Republican National meeting here, Senator Dole allied himself to a growing tide of centrist Republican opinion which has argued that the Party must appear more open and less elitist.

"I am more interested now in winning elections and saving than I am in seeing our party fade into history proudly clinging to some narrow notion of ideological purity," Mr. Dole said.

Mr. Dole has supported a proposal whereby a committee of prominent Republicans is formed to help select a new party chairman next month. President Ford, whom Mr. Dole feels should serve on this committee

is also capable of continuing to advocate controversial policies. He told the Governors, for example, that a major Republican goal should be to end the "unfriendly alliance" between Congress and the federal bureaucracy by means of a constitutional amendment limiting senators and congressmen to eight years in office.

Thus, having denied reports that he is competing for the job, he then said he could accept it, providing he was given the full support of the Ford, Rockefeller and Reagan factions and provided he was permitted to retain his ties with his law firm in Texas.

While Mr. Connally periodically agrees with the propositions that the Republican Party must become more responsive, he is

Warm thanks to East Germany

By Leslie Collett

BERLIN, Nov. 30. EAST GERMANY to-day proudly displayed a letter from U.S. President-elect Jimmy Carter in which he warmly thanks East German Communist Party leader Erich Honecker for his "enormous" message of "warm and friendly" congratulations on Mr. Carter's election.

The West German newspaper *Der Spiegel* has reported that both the East and West German leaders received an identical text from Mr. Carter which has been denied by the West German Government, Berlin however, is not releasing its letter from Mr. Carter.

In the letter to the East German Party chief and head of state Mr. Carter says: "I look forward to working with you to strengthen the ties of friendship between our two countries."

The governing Mayor of West Berlin, Horst Klink Schütz, received similar warm thanks from Mr. Carter. He said: "The two countries will go together during his presidency."

Jamaica campaign opens

BY CANUTE JAMES

KINGSTON, Nov. 30. A SERIES of bomb blasts shook Mexico City last night, adding to political tensions just 36 hours before Sr. Jose Lopez Portillo takes office as President of Mexico.

The candidates have been put forward by the island's two main parties, the ruling Peoples National Party (PNP) and the (April 1 to August) dropped by opposition Jamaica Labour Party (JLP). There are no candidates from the smaller parties, and reported.

ICI subsidiary in oil venture

BY STEWART FLEMING

NEW YORK, Nov. 30. A U.S. subsidiary of Imperial Chemical Industries — ICI America — has announced that it has bought participation in oil drilling operations in the Gulf of Mexico, of Mississippi, Louisiana and Texas.

The company said that it has bought an interest in 43 oil and gas leases and that one of its available from the petrochemical partners is Standard Oil of California (Chevron).

ICI is not disclosing how much it has paid for its participation in the smaller parties, and reported.

AMERICAN ARMS SALES

A growing commitment

BY A SPECIAL CORRESPONDENT

THE U.S. is ceasing to be the "natural" of democracy," Vice-President-elect Mondale said recently. Mr. Jimmy Carter has been unable to make life more difficult for would-be buyers of arms from the U.S. after he moves into the White House next January, and Congress seems to be in the same mood.

They are likely to find, however, that it is much harder to fight the general trend to higher arms sales than it was to veto particular sales to doubtful countries, which is all Congress has attempted in the past. For American arms exports used to be mainly a political tool. Now they mean real money and real jobs.

What Mr. Carter was actually talking about was arms sales to the Third World — nobody seriously objects to American arms sales within Nato, with the possible exception of Turkey — and there certainly is cause for concern. The share of world arms expenditure borne by the Third World has risen from 8 per cent to 22 per cent over the past two decades. Some poorer countries, such as Egypt, have added considerably to their balance of payments problems because of the cost of buying arms, while some rich ones, like Iran and Saudi Arabia, are building immense armed forces for which reasonable justifications are hard to find.

Almost all the Third World's major weapons are imported, and over four-fifths of those imports come from the big four arms producers: America, Russia, France and Britain. U.S. sales alone have accounted for nearly half this volume in the last few years. It would make a big difference if Mr. Carter could

appreciably reduce that flow of weaponry, but the obstacles he faces are immense.

For many years now, France and Britain have sold arms mainly for commercial and industrial reasons. The money is nice to have, but even more important large export sales mean bigger production runs, lower unit costs, and steadier employment for skilled work forces.

Thus an average of 30 per cent of British and French arms have been produced for export — in some years the ratio has risen above 50 per cent for the French military aircraft industry — and the two countries can thereby largely independent easy credit terms.

The old American ability to turn off the flow of arms as a purely political and strategic decision no longer exists.

defence industries that would otherwise be out of the question. Both governments have instructed their armed forces at one time or another to take export potential into consideration when choosing new military equipment. Britain will sell arms to most people outside the Soviet bloc, who have the money, and France takes care of the rest. When Britain imposed an arms embargo on South Africa in 1974, for example, France stepped in and assumed Pretoria's main supplier ever since. Although it has since also imposed a limited embargo.

Paris did the same in Greece when the U.S. imposed a selective embargo during the colonels' regime. After being Israel's governed by political considerations, defence industries that would otherwise be out of the question. After the Soviet Union entered the world arms trade in 1955 there was an erosion of the restraints the U.S. had previously put on arms sales to the Third World. During the 1960s, under the threat of Russian competition, American arms sales gradually spread to new areas, such as Morocco, and existing restrictions on the sale of technically advanced weapons were lifted, as in the case of Iran.

After the French embargo on Israel in 1967, the U.S. also assumed a large commitment to supply arms to Jerusalem. But as recently as five years ago U.S. arms sales to the Third World were running at about \$500m. a year, and were almost totally going to find it very hard to cut foreign arms sales too.

WORLD TRADE NEWS

EEC declares three month truce on Japan dispute

BY ROBIN REEVES

A THREE MONTH truce between the EEC and Japan was declared by Common Market Heads of Government here today. It is to allow time for the two sides to find solutions to their growing trade imbalance and the threat posed for sections of European industry by Japan's import penetration.

In a fairly conciliatory statement issued at the end of the two-day "summit" EEC leaders said they noted with satisfaction that the Japanese Government was willing to co-operate with the European Community in solving the "rapid deterioration in the trade situation and the problems which have arisen in certain important industrial sectors."

The conference will be the first official occasion for the other nine provincial Premiers to meet Quebec's first independence Premier. Prime Minister Trudeau and Premier Levesque are old acquaintances, not friends. They were friendly some years ago, but came to a parting of the ways.

Mr. Levesque has already announced that his newly formed part Québécois Government will hold a brief pre-Christmas session of the Quebec assembly starting on December 14 to settle business left over by the former Liberal Government before the November 15 general election.

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Thus, having denied reports that he is competing for the job, he then said he could accept it, providing he was given the full support of the Ford, Rockefeller and Reagan factions and provided he was permitted to retain his ties with his law firm in Texas.

While Mr. Connally periodically agrees with the propositions that the Republican Party must become more responsive, he is

also capable of continuing to advocate controversial policies. He told the Governors, for example, that a major Republican goal should be to end the "unfriendly alliance" between Congress and the federal bureaucracy by means of a constitutional amendment limiting senators and congressmen to eight years in office.

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THE HAGUE, Nov. 30.

JAPAN has announced steps to increase agricultural output from the European Common Market and offered talks on its share of the shipbuilding market and car sales to Britain.

The Government said the was presented to the EEC at their summit conference, ended yesterday, after it demands for a regulation of EEC's growing trade surpluses with EEC countries.

But the offer, in a letter to Mr. Bunroku Yoshida, Deputy Foreign Minister, stressed that Japan had brought about through European trade, without limiting flows in either direction, constant dialogue between two sides was important.

It said: "We are of the view that trade among these countries should not be balanced on a bilateral basis, but on a global basis."

Foreign Ministry officials quoted from Kyodo News said the EEC conference's statement emphasised "determined efforts are called for to remedy the situation, paying particular attention to the need for rapid expansion of Japanese imports from the Community, with the view to the development of mutually advantageous trade relations."

He told Japanese industrial leaders he could not guarantee EEC governments might not take action to protect key industries against competition from Japanese imports, if they did not present the offer to do something before the present summit.

Saying that EEC leaders have appreciated Japan's reaction to their demands, added, however: "A reaction to the Japan-EEC disputes demands mutual efforts to be made for a long time to come." They said a solid effort by the Japanese to improve their economic and industrial structures.

Concerning the difficult British motor industry, Yoshida said Japanese panelists have been exporting a moderate manner on the of individual judgment of company.

This was repeated yesterday and a plea made for assistance to be given to these countries to develop orderly marketing policies in Britain. At the same time this would allow U.K. exports to increase.

As for Japan's share of shipbuilding industry, it was used to have multilateral consultations, but agreed to hold bilateral meetings with the EEC at the same time.

Malaysia to which French imports ban

Dell, in which the dangers of unsubstantiated dumping allegations were spelt out.

It was pointed out in the letter that many years of effort had gone into developing an orderly pattern with European countries, and that Britain had a favourable balance with the Soviet Union.

They pointed out that although anti-dumping measures under GATT regulations were sometimes essential, the accompanying complaints about Eastern European imports had led to retaliation in some cases.

It is understood that the delegation, which included leading members of the London Chamber of Commerce, was asked to provide examples of losses of contracts before any action could be considered.

One member said after the meeting: "These are difficult to give, more than one or two cases, but it is clear from contacts in these countries that some damage has been done, one normal use of an engine from start-up to shutdown."

ANA had previously been carrying out checks on engines which had performed more than 1,000 cycles but was in the process, before last week's discoloration of a disc failure on its inspection schedule.

The meeting follows the publication of a letter sent last month by the London Chamber of Commerce, in which it was said that imports of weapons of war, including nuclear weapons, had been given away in prize money with ideas and suggestions for boosting overseas.

The Lucas campaign, due to coincide with the British EEC Trade Year, will seek the participation of all the 65,000 workers in the U.K. work force. Lucas, with overseas sales of £12m. in last financial year, was U.K.'s 28th largest export

Grundig TV from Taiwan

Commission rejects gambling levy to aid sport

BY MICHAEL THOMPSON-NOEL

FURTHER AID for sport from shown that 37 per cent. of the gambling revenues has been adult population would at some time being, by the Royal Commission on Gambling. Its interim report, published yesterday, rejects the idea of a general levy on gambling, or a tax on football pools prize winners, to boost

The Commission makes it clear that the Chancellor is the main beneficiary of the pools.

But the Commission said that it would return to the pools as a source of raising extra money.

The Commission, headed by Lord Rothschild, was set up in February to review the gambling industry.

Yesterday's report concerned on the football pools as a source of raising extra money.

The P.P.A. contends that pools in the size and number of prizes

It rejected the idea of a special levy on the Pools Promoters' Association and said that the business, nor suggest that

prizes were exceptionally high.

Opposed

The report implies that the financial management of Football League clubs is not what it should be, and Lord Rothschild said later that the finances of most clubs were probably not as precarious as usually thought.

The Commission said it would be difficult to justify applying the proceeds of a pools levy to anything other than football, and said that the P.P.A. was firmly opposed to a levy.

"They regard their payment of £1m. a year to the Football League and the Football Association and the £80,000 to the Football Grounds Improvement Trust as their voluntary contribution to sport."

"It is not that they would be willing to make further, relatively small, contribution. This is a matter which we hope to explore further."

A recent Gallup Poll had badminton.

Special sports issue of stamps

SPORTS which originated in Britain are the subjects of four special stamps which will be issued by the Post Office on January 19.

The stamps will show lawn tennis, table tennis, squash and badminton.

BP subsidiary to spend £145m. on new cracker

BY RYHS DAVID, CHEMICALS CORRESPONDENT

BRITISH Petroleum's Dutch subsidiary, Rafinaderij Nederland, will spend £160m. (\$145m.) on a new catalytic cracker for oil refining at its Europoort refinery, in Rotterdam.

The plant, which is due for completion in the fourth quarter of 1979, will have a capacity of 40,000 barrels a day but is not intended to increase overall capacity at the refinery.

The cracker will enable BP to offer a different product mix from the refinery, concentrating more on products for which demand is expected to grow most strongly.

At present Europe's oil refineries are running at about 70 per cent. capacity, largely as a result of greatly reduced demand for heavy fuel oils.

Any attempt to extract further money from the pools promoters, would create a self-accelerating trend towards reduced turnover and smaller prizes.

The general reaction to the interim report is that it is notable only for its negativity. Mr. Ted Croker, secretary of the Football Association, said yesterday: "I can't believe it."

He could not comment fully until he had read the report, but his suggestion that no extra money should be raised for soccer from gambling left him "staggered."

But even if he had finished, Arikirka's chances of winning were almost nil. After engine trouble on Monday, an all-night sitting of rally officials declared him one minute past maximum lateness when arriving at Westover. He was allowed to continue while his protest was being considered.

Clark led into Bath a field of only 75 out of 200 starters as the crews had experienced some of the worst weather in recent years.

There were two night of gales, driving rain and snow, declassifying the entries as competitors battled through 370 miles of

used by industry and for power generation.

Demand for heavy fuel oil has been heavily cut as a result of lower levels of industrial production and efforts to reduce consumption since the oil crisis.

The new cracker will enable BP to increase its output of lighter products, including motor spirit, where continued growth in demand is expected throughout the 1980s.

Lebanese war

In another oil development yesterday BP and Shell announced that the marketing operations of their subsidiaries in Lebanon would be transferred to their employees.

Shell UK said the peculiar circumstances of the Lebanese civil war had led to the de-

cision. The arrangement has the approval of the Lebanese Government.

The company declined to disclose the value of the deal, but said it was "a fairly small operation."

Under the agreement employees of the two companies, previously units of the Royal Dutch/Shell group and British Petroleum Corp., have acquired all assets and obligations of the operations with the freedom of choice to accept the shareholding or resign. The number of employees involved was not disclosed.

The companies will continue to market petroleum products, including petrol and aviation fuel, under licence from Shell and BP. They have also entered into service and technical assistance agreements with Shell and BP.

Roger Clark wins RAC Rally

BY JOHN GRIFFITH

BRITAIN'S Roger Clark last night won the Lombard RAC Rally in his works Ford Escort RS1600 after a dramatic final day.

The front-runner for most of the 1,800 miles and Britain tour, Pentti Airikkala of Finland, broke his clutch only three stages from the finish.

But even if he had finished, Arikirka's chances of winning were almost nil. After engine trouble on Monday, an all-night sitting of rally officials declared him one minute past maximum lateness when arriving at Westover. He was allowed to continue while his protest was being considered.

Clark led into Bath a field of only 75 out of 200 starters as the crews had experienced some of the worst weather in recent years.

There were two night of gales, driving rain and snow, declassifying the entries as competitors battled through 370 miles of

forest and mountain terrain in England and Wales.

Clark's victory provides an unprecedented fifth win in a row for Ford. Clark won in 1972, but for the next three years the event was dominated by the "flying Finn" Timo Mäkinen.

Mäkinen's own bid for a record four successive wins, on his last drive for Ford in an association lasting nearly a decade, was cut short by a 100-miles-an-hour roll on only the second of the Rally's 76 special stages.

The works Saab of Stig Blomqvist, the experienced Swede, was second, four minutes behind, and the Escort RS1600 of Björn Waldegård, another Swede, third.

With Irishman Billy Coleman in yet another, very badly battered Escort in fifth place, Ford has beaten off major challengers by top teams from Fiat, Saab and Opel.

The lone, wedge-shaped Lancia have achieved.

Government 'muscle' needed to halt race discrimination

BY DONALD MACLEAN

A NEW call for the Government to use the way it allocates contracts to fight racial discrimination was made yesterday by Sir Geoffrey Wilson, chairman of the Race Relations and Immigration Select Committee, in presenting the Board's winding-up report, for the 18 months to the end of June.

There was, he claimed, in an attack on Government policy, "little will to take positive action to eradicate" racial discrimination, although the vast majority of people regarded it as morally wrong and socially repugnant.

People in a position to discriminate were unlikely to take action unless the consequences of inaction were seen to be the more troublesome.

"I would hope that politicians, both national and local, employers, trade unions and others with influence on situations in which discrimination can occur can be a great deal braver than they have been hitherto in taking positive steps to end it."

Paramount responsibility for

Government, which itself recognises this, "at any rate in theory,"

having said last year that

"discrimination was discrimination in employment."

At two private meetings

of Board members, they chose the title "Associates

Members" of State Ind

Boards.

Discussions have been

with the executive club made

of their Chairmen, the Na

lised Industries Chair

Group. This is recognised b

Government and has a full

director Mr. James Driscoll

works from the British

Corporation Headquarters.

Rises refused

Some State industry ch

are understood to be co

wards the proposed assoc

of their Board members.

The promoters claim that

majority are sympatheti

them.

The initiative came

North-West England Mr.

Dodds, chairman of Merse

and North Wales Area E

City Board, and Mr. Dennis

chairman of the North-West

Industry Board, are resp

acting chairman and acti

member of the Exec

Committee, and a full

member of the Exec

Committee.

The Board, which has

been in existence for

18 months, it is

now a full-fledged

organisation with a first

of opening pay-talks with

Government on behalf o

State Board members.

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Corporation Headquarters.

Water charges Bill proposes levy

BY STUART ALEXANDER

WATER CHARGES for unmeasured users, mainly house

holders, will vary less as a result

of the Water Charges Equali

zation Bill published yesterday.

But it is not yet known whether

any areas which have

payments will be made as a lump

sum or in instalments.

As a percentage of the total

budget the sums are expected to

be small and they will not be

be paid by metered users.

The Welsh Assembly, which

is responsible for water charges

in Wales, has been asked to

make a decision on the new

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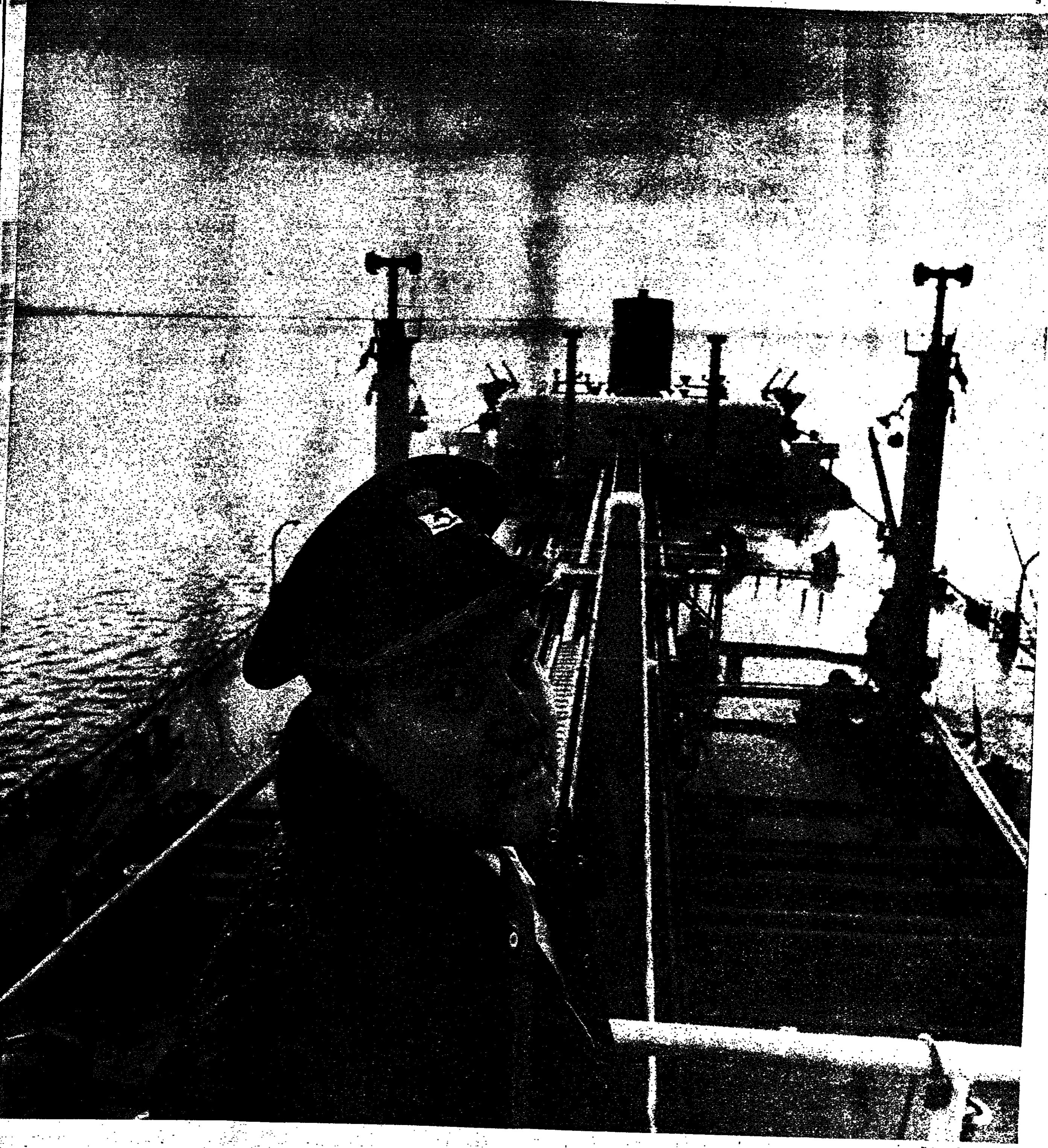
The Welsh Assembly, which

is responsible for water charges

in Wales, has been asked to

make a decision on the new

water charges.



Photograph, Gus Wyllie

David Anderson: "at home" in the North Sea.

For most people, the North Sea is not the most inviting stretch of water in the world. But Captain Anderson grew up in the Shetland Islands. It's home to him. So is a tanker like the one you see him on here.

David Anderson has been on tankers since the end of the second World War. He's served as a Mobil master for more than 16 years. He has sailed all over the world; but the trips he's making now in his home waters are among the most important of his long seagoing career.

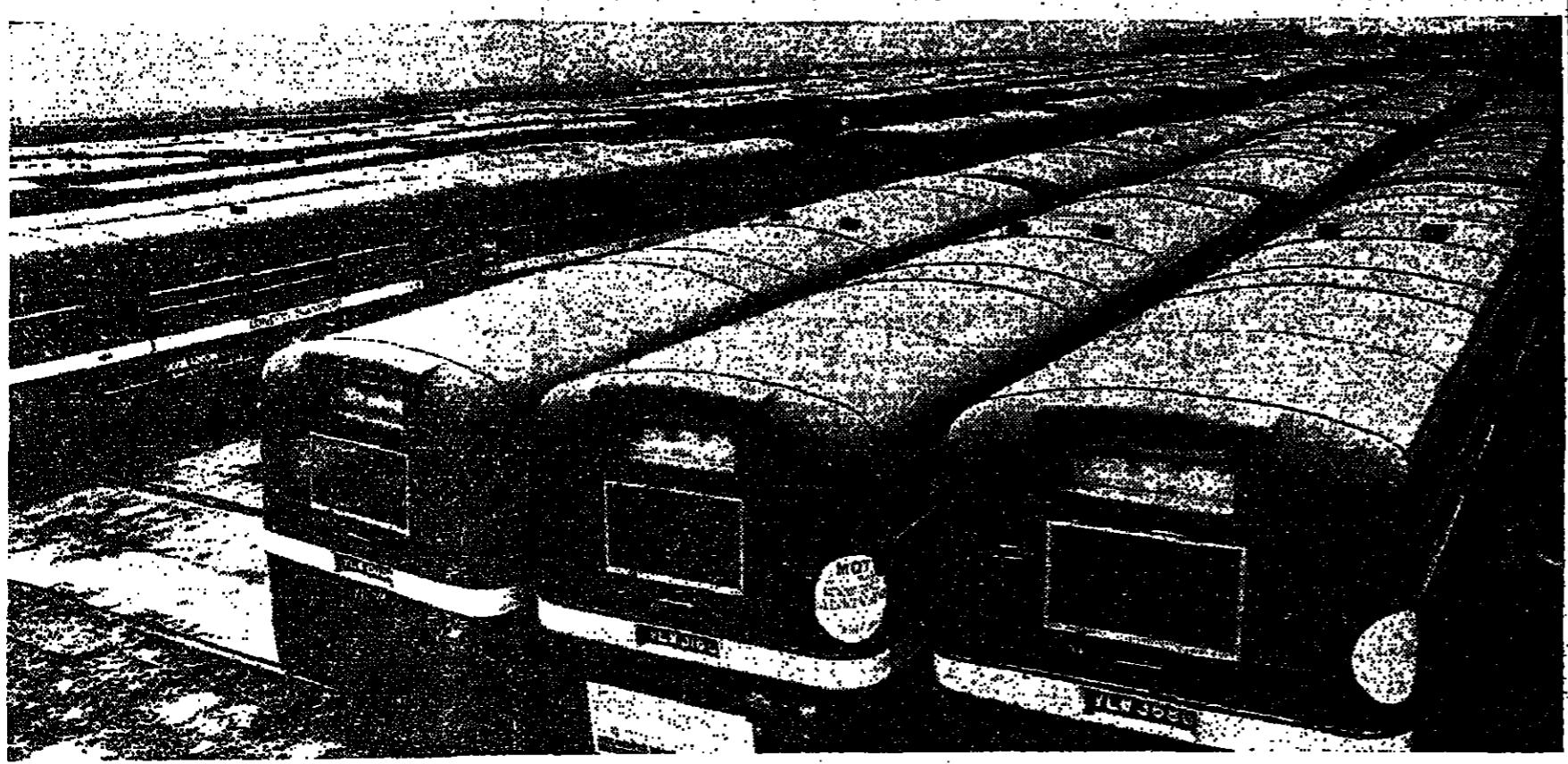
The captain's current assignment is to bring North Sea oil from the Beryl A platform, about 100 miles southeast of his own Shetland Islands, to British ports. These shipments from Beryl A began this autumn. When all the wells have been drilled and everything is humming along at peak rates, Captain Anderson's tankers will be delivering about 5% of Britain's oil needs. That's a sizeable amount. And together with all the other oil coming in from North Sea fields, it represents a very

promising start on petroleum self-sufficiency for this country.

Some of the oil will come in by pipeline, but a good share will be carried on tankers like Captain Anderson's.

Whichever way it arrives, it will be welcome, we know. We're happy to play a part in North Sea production, and glad we have skilled professionals like David Anderson to bring the oil home.

Mobil



London Bus

Tennis prize money goes up

By John Barrett

THE HAPPIEST PEOPLE at next year's centenary at Wimbleton will be the players. The All-England Club is to add £59,494 prize money at the 1977 Championships, making a total of £153,355. Less happy will be the customer at the turnstiles, who will find ticket prices about 10 per cent dearer.

Sir Brian Burnett, chairman of the All England Club and of the joint championship committee, said in London yesterday that women would still average 80 per cent. of the men's prizes as they did last year.

With the approval of the Women's Tennis Association, whose threat to boycott next year's meeting has evaporated, the differentials have been narrowed at the top and widened at the bottom.

Thus the lady champion's £13,500 will be 90 per cent. of the £15,000 men's prize, and £250 to be given the women who do best in the first round three-quarters of the men's £200.

Extra funds

The 128 men will divide £116,850 next year, against £17,850 last time, and the 98 women £17,490.

Next year's prize money increases will be met from the extra funds created by selling the concessionary rights to the companies supplying goods and services to the championships. After two years, the fund is already providing a healthy six-figure sum annually.

The extra spending associated with the centenary celebrations will be met by a 10 per cent. increase in ticket prices.

A entry fee for next year will cost £4.50 against £4.40 this year, and a £1 court seat £2.50 (£2.70). A daily ground admission ticket will remain £1.00 after 5 p.m. probably the best bargain at any major sporting occasion.

The customers will notice several improvements on the ground. Besides a complete repair and refurbishing of the buildings, the site of the public tea will be doubled by extending into Arunraq Park, the neighbouring ground which the New Zealanders rent from the McEngland Club.

Solvents up

East Chemicals has increased the prices of all its grades of Aliphatic solvents by 3p an imperial gallon. The increase, depending on grade of solvent, ranges from 1 per cent. to 10 per cent.

The company blames the increases on the continued rise in costs in recent months.

Scientific intolerance 'in the U.K.'

By DAVID FISHLOCK, SCIENCE EDITOR

A WARNING that even Britain was not free from intolerance towards scientists who presented results at variance with politically preconceived notions was given by Lord Todd, President of the Royal Society, in his annual address in London last night.

Lord Todd was responding to those who had urged that the Royal Society should publicly associate itself with protests to governments accused of persecuting individual scientists.

The temptation to support and control science in the interest of national political aims had grown since. Tolerance and freedom from persecution could no longer be taken for granted.

Lord Todd, speaking on freedom in science, condemned the decision of Unesco to withhold financial support from any scientific meeting which allowed participation by scientists whose governments were unpopular with the majority of its members.

"There is something which is, in my view, totally contrary to the spirit of the United Nations and is a threat to the freedom of science which should be resisted by every scientist, whatever his nationality."

Homes setback underlines fears for next year

By MICHAEL CASSELL, BUILDING CORRESPONDENT

THE HOUSE BUILDING programme suffered its worst setback for more than 18 months in October. Work on houses by the public and private sectors fell dramatically and made on only 11,500 council houses in October against 14,500 fears that next year could be in September.

Provisional estimates prepared by the Department of the Environment suggest that work started on fewer homes in October than in any month since March 1975. Completions, though not quite so disappointing, also fell.

House builders have been saying for months that the continuing recession in the housing sector seems set to grow even worse as mortgage funds become more restricted and public expenditure cuts reduce the local authority house building programme.

According to the housing sector the number of private homes on which work will start next year could fall to about 120,000 or less from an estimated 180,000 this year. Council housing starts this year should reach about 170,000. The total will certainly be lower next year.

This year the number of private houses completed is likely to be about 150,000, a repeat of last year. Council in October house renovation training programmes placed on house completions this year are grants for 32,400 homes were safety requirements.

Renovation

The department calculates that, taking three month totals to reduce the effect of monthly fluctuations, total housing starts in the August-October period were 11 per cent. down on the preceding quarter and also 11 per cent. lower than a year earlier.

Total completions, however, were 2 per cent. higher than in the previous three months but creased by 20 last year to 181,2 per cent. lower than in the same period last year.

In the three months ending the emphasis which the Board's

report of last year. Council in October house renovation training programmes placed on house completions this year are grants for 32,400 homes were safety requirements.

More foreign students seek British university places

By MICHAEL DIXON, EDUCATION CORRESPONDENT

FOREIGN CANDIDATES for per capita cost of the courses have their tuition fees paid out, British universities' undergraduate course next year seem is often more than £4,000 of their parents' income.

in spite of the 50 per cent. rise in their tuition fees, announced by the Government in July.

This continued upward trend as well as increased demand from British young people, is indicated in a report published yesterday by the Universities' Central Council on Admissions.

The council said that judged by the position on November 15, nearly half the expected applications had been made, the final number of foreign candidates is likely to be about 2,000 more than the 20,500 who applied for this year's bachelor-level university courses of whom 8,078 were admitted.

Because only a minority of are concerned the fee adjustments represented book-keeping transgressions between Central Government and the University Grants Committee and local education authorities.

The council said that judged by the position on November 15, nearly half the expected applications had been made, the final number of foreign candidates is likely to be about 2,000 more than the 20,500 who applied for this year's bachelor-level university courses of whom 8,078 were admitted.

Standards of living could not be maintained except through "science" through the application of the scientific method and the results of scientific research to practical ends, or, if you will, through technology and technological innovation." This was true of environmental as of industrial problems.

"The real reason for most of our troubles lies not in science but in our social and political iniquity when it comes to realising the potential of any advances which science has made and continues to make."

As a result, we live in a turbulent and unhappy world, with deep divisions between nations, which had inevitably led to increasing secrecy and mutual suspicion.

Secrecy had always been the enemy of scientific progress but it was "manifestly absurd in the imperfect world in which we live to appeal for the total abolition of secrecy and for the free and unrestricted circulation of all new knowledge."

Many people, especially the young, felt disappointed, frustrated and let down by the society in which they lived, and many cast science in the role of seer. This was not just wrong.

It was dangerous if it led us it had done—in a swing away from science by young people research, or the free publication

of all results obtained in the search for new drugs. "The existence of patents, of course, underlines the general acceptance of at least temporary rights of a proprietary nature in the results of research."

Lord Todd distinguished between two kinds of activity "usually lumped together under the heading of research." What was usually called "pure" research was typically concerned with advances in an understanding of the natural world.

As a general rule it was not undertaken in pursuit of any specific economic objective, and was characterised by a high creative content. Here, secrecy should be at all costs be avoided.

But the case was rather different for applied research or R and D. Here, the research was undertaken to solve particular problems, usually of an economic or military nature with a view to technological innovation.

Its most characteristic feature was ingenuity rather than creativity. A measure of secrecy was usually inevitable, but need not be unduly damaging provided

pure science was kept free from secrecy.

These 200 London Transport buses in storage at Radlett aerodrome, near St. Albans, are looking for an overseas buyer.

Bought in the late 1960s, they have been retired after only eight years' service because they were unreliable and at 36 feet, too long for many London routes.

London Transport has already found buyers for 100 of the AEC Merlin ME buses and scrapped another 100. It defends the purchase of what proved to be a fleet of red elephants on the grounds that when one-man bus operation first became feasible, the Merlin was the only suitable single-deck vehicle that could be supplied in sufficient numbers.

The Government at that time would not allow double-deckers to be used on one-man routes.

October deliveries totalled 455m, against 304m in September and 528m a year earlier.

Brick stocks at the end of October were 432m, an increase of 488m in September.

Cement deliveries in October in the U.K. averaged 289,000 tonnes a week against 305,000 in September. Production fell from 314,000 tonnes a week in September to 299,000 tonnes in October.

Michael Dixon, Education Correspondent writes: The safety record of the construction industry was criticised by Mr. John Golding, Parliamentary Under-Secretary for Employment, yesterday during a visit to the Construction Industry Training Board's centre at Bircham Newton, Norfolk.

He said that he was shocked to learn that deaths had increased by 2 per cent. higher than in the previous three months but creased by 20 last year to 181,2 per cent. lower than in the same period last year.

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Definitive draft plans published

AFTER ALMOST 30 years of debate, the accountancy profession to-day publishes draft definitive proposals on accounting for inflation. The proposals, in a document known as Exposure Draft 18, or ED 18, have been prepared by a steering group chaired by Mr. Douglas Morpeth and are essentially based on the report of the official Sandilands Committee of Inquiry, published in September, 1975.

The Government announced yesterday that it is supporting the implementation of the new system.

Comments on the proposals must be made to the Accounting Standards Committee by May 30, 1977. A definitive statement of standard accounting practice is expected to be published on January 31, 1978, for implementation in company accounts in four stages, starting with the largest organisations, for accounting periods beginning after July 1, 1978.

ED 18 is a compromise between the Sandilands recommendations and the accountancy profession's earlier preference for the current purchasing power method of accounting for inflation. ED 18 is put forward as a first step only in the development of a system of current cost accounting and further refinements are expected over the next five years.

Steering group's brief guide

Object of this Guide

The object of this Guide is to provide businessmen and others with a brief, quickly readable guide to the main points in the Exposure Draft on Current Cost Accounting (CCA), to which reference should be made for details.

1. Need for CCA
The continuing and high rate of inflation in the U.K. has caused accountants prepared to use historical cost, less and less capable of conveying a true and fair view of a company's current financial position. This has so reduced the usefulness of such accounts to management, investors, employees and others that a major change in accounting practice has become necessary.

Historical cost accounts have always suffered from the failure to show the impact of changing price levels, but in recent years the rate of inflation has made it essential to remedy this defect.

The nature of the necessary change has been debated within the accounting profession for many years and a number of solutions have been put forward. However, the recommendations in the Sandilands Committee's report for the introduction of a system of CCA were broadly accepted by the Government and the Consultative Committee of Accountancy Bodies last year, and the Exposures Draft is based on these recommendations.

2. Management's Needs
Management needs up-to-date information on true costs and values for the proper running of a business. The system of current cost accounting described in the Exposure Draft will help to provide such information in the management accounts of companies and in their published annual accounts.

If more realistic information is to be available to management than is provided by historical cost accounts, the change to current cost accounting needs to be made at the management accounting level.

It would not be adequate merely to provide adjustments to a historical cost system once a year in the annual accounts.

New scheme has five major advantages

As long as industry uses historical costs for management accounts, it may unknowingly underestimiate dangerous consequences for the business. It is essential that industry uses more accurately for its estimates of cost.

4. Depreciation calculated on plant and machinery—most cases this will be replacement cost.

(b) The estimated cost at the date of sale of materials consumed.

These CCA conventions should be used at the earliest possible date in compiling all management control figures, including monthly Profit and Loss accounts, even although industry may not at present be able to reflect fully its current costs in the price it obtains, because of the effects of market forces and of the Price Commission.

5. Essence of CCA

The essence of the CCA system is simple: in arriving at profit, the charge against income for stocks consumed and fixed assets used is based on current replacement costs and not on out-of-date and irrelevant historical costs.

Similarly, the Balance Sheet shows up-to-date values in place of historical costs.

If it is as simple as that, it may be asked, why is the Exposure Draft so long? The answer is that it was decided that it would be more helpful to companies if it dealt with as many as possible of the known problems of implementing CCA.

It should be appreciated, however, that relatives few companies are likely to meet all of the problems in any one year.

Much of the Exposure Draft is concerned with putting flesh on the simple framework of the system just described.

6. Interim Solutions
The Steering Group, however, is conscious that there are a

STATEMENT OF CHANGE IN SHAREHOLDERS' NET EQUITY INTEREST AFTER ALLOWING FOR THE CHANGE IN THE VALUE OF MONEY

Net equity interest at beginning of year

Net equity capital introduced during the year

Amount required to compensate for the change in the value of money during year

Net equity interest at end of year before dividends on equity capital

Gain/(loss) for year after allowing for the change in the value of money

Dividends on equity capital for year

Gain/(loss) for year after allowing for the change in the value of money and after dividends

ANALYSIS OF THE GAIN/(LOSS) ON MONETARY ASSETS AND LIABILITIES AFTER ALLOWING FOR THE CHANGE IN THE VALUE OF MONEY

Long-term liabilities

Bank overdrafts

Non-equity share capital

Other

Total gain or loss

The allowance for the change in the value of money was made by applying the general index of retail prices, based on January 1974=100. At 1.1.1976 the index stood at 21, and on 31.12.1977.



Sir William Slimmings, chairman of the Accounting Standards Committee (left), Mr. D. S. Morpeth, chairman of the Inflation Accounting Steering Group and Mr. C. A. Westwick, secretary of the steering group secretariat.

THE REPORTS ISSUED TODAY

Exposure Draft ED 18: Current Cost Accounting £1.20
Guidance Manual on Current Cost Accounting £5.25
(£6.25 from Dec. 10)

Background Papers to the Exposure Draft on Current Cost Accounting £3.95

All available from the Institute of Chartered Accountants, Chartered Accountants Hall, P.O. Box 421, Corporate Place, London EC2P 2BP.
TO BE PUBLISHED EARLY IN 1977
An Audit Guide to Current Cost Accounting.

studying the comments received during the exposure period when preparing proposals for a Statement of Standard Accounting Practice for consideration by the ASB.

It is appreciated that some organisations and companies in certain industries may need to modify the application of the Exposure Draft in order to give a true and fair view.

The Inflation Accounting Steering Group will give full consideration to reasonable proposals for modification in making proposals relevant to specific industries and similar bodies.

12. Scope of Proposed Standard

It is the intention that the accounting Standard, which will be produced from the Exposure Draft should apply in due course to all financial accounts intended to give a true and fair view of financial position and profit or loss but, in order to spread the workload on those concerned in its introduction, it has been decided to divide the introduction into four phases.

Basic principles of the system

14. Contents of Current Cost Annual Accounts

Under CCA, a company's annual accounts will include:

(a) A profit and loss account,

(b) an appropriation account,

(c) a balance sheet.

15. Basic Principles of Current Cost Accounting

The basic principles of the system are:

(a) The non-monetary assets of the business should be shown in the balance-sheet at their values to the business at the balance-sheet date.

Value to the business will normally be replacement cost but in exceptional circumstances could be the higher of net realisable value and economic value (present discounted value) if both are lower than replacement cost.

(b) Revenue should be charged with the depreciation of fixed assets calculated on their value to the business, and with the cost of stores consumed valued at their replacement cost at the date of sale.

(c) Revaluation surpluses are

Continued on Page 12, column 4

X. LTD. AND ITS SUBSIDIARIES YEAR ENDED 31 DECEMBER 1976 CONSOLIDATED PROFIT AND LOSS ACCOUNT

See Note
£000s

Turnover
Operating profit/(loss) for the year
Interest payable less receivable
Share of profits/(losses) of associated companies

CURRENT COST PROFIT/(LOSS) BEFORE TAXATION AND BEFORE EXTRAORDINARY ITEMS

Taxation
Minority interest
Current cost profit/(loss) before extraordinary items
Extraordinary items (net of tax and minority interest)
CREDITORS

CURRENT COST PROFIT/(LOSS) FOR THE YEAR

CONSOLIDATED APPROPRIATION ACCOUNT

Current cost profit/(loss) for the year
Net surplus for year on revaluation of assets
Appropriated to revaluation reserve*
Available for distribution and general reserve

Dividends
Added to/(deducted from) general reserve
* This transfer is the amount of the net surplus that the directors consider should be retained having regard to the needs of the business; it may exceed or be less than the net surplus. The directors should explain the basis and the reasons for amounts transferred (see paragraph 24).

16. Auditing Practices Committee

equity interest after allowing for the treatment of the effects of inflation on the owners' capital and on monetary items, and to maintain the substance of the business.

The interim solutions include:

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THE GOVERNMENT ACCOUNTANTS' VIEW

Whitehall's support

BY K. J. SHARP

THE GOVERNMENT is committed to support the principle of current cost accounting (CCA). This was made clear by the then Secretary of State for Trade in November 1975 when welcoming the Sandilands Report and was confirmed in a written answer in the House of Commons yesterday by Mr. Edmund Bell, the Secretary for Trade, on the publication of Exposure Draft 18 (ED 18). It follows therefore that in so far as ED 18 accepts and applies the Sandilands' approach it too will have support in Whitehall. During the exposure period the Government will make a close study of the implications of the proposals and will encourage all other affected organisations to do the same.

During the 11 months since the setting up of the Inflation Accounting Steering Group (The Morpeth Committee) I have served as one of the two Government representatives on that Committee and have simultaneously served on the interdepartmental group in Whitehall which has been following progress and concering government views. This has been the friendless position it may sound because Whitehall is more concerned with the broad strategic issues which arise from the introduction of a new system of accounting, while the prime purpose of the Morpeth Committee, set up by the accountancy profession with the Government's support, is to concentrate upon the detailed problems which Sandilands recommended should be examined urgently in order to achieve a swift implementation.

While there have been several occasions upon which views on the fundamentals of accounting theory have been hotly debated (and with the evident enjoyment of the parties involved) it is upon the detailed practical problems that the Morpeth Committee has primarily concentrated. Communication between Morpeth and Whitehall has been frequent at both formal and informal levels and any incident difficulties have been rapidly resolved. The Government has recognised that all matters of detail were for resolution by the profession and has not sought to intervene when not directly concerned.

It is inevitable, when a principle is stated with appealing simplicity, that there is a sense of disappointment and frustration if the practical application involves complexities which appear at first sight to reduce some of the initial attraction. The Sandilands Report was written in terms of general principle and illustrated primarily in the context of the manufacturing company. Substantial development was therefore necessary to find practical means of accommodating the structures of various other types of entity. There were also some highly complex technical problems, for example those concerned with overseas subsidiaries and transactions, finding an entirely satisfactory

which were difficult to resolve. However Morpeth has produced a workable (the proposals have been field-tested by 120 organisations) and reasonably consistent system which though not necessarily the final answer, will meet many of the shortcomings of historical cost accounting. Of course not everyone will be content, and there will doubtless be some adverse comment during the exposure period. The fundamental point which the objectors who would prefer no change have to meet, however, is that historical cost accounting is wholly misleading in most circumstances. No one starting from scratch in today's conditions would contemplate setting up such a system: it is not a satisfactory way of providing useful information to users of accounts and at the same time it leads some managements to take decisions which are contrary to the interests both of their companies and of overall industrial efficiency.

There were serious reservations about the accountancy profession's original proposal to account for inflation by Current Purchasing Power (CPP) accounting—hence the setting up of the Sandilands Committee. It is inevitable therefore that there are doubts as to the wisdom of including as part of the account a Statement showing the effect on shareholders' equity of changes in the value of money as measured by the Retail Price Index.

However, a substantial body of users of accounts, including some institutions, believe that the information in the Statement is important for a proper understanding of an entity's performance. The inclusion of accounting theory have been hotly debated (and with the evident enjoyment of the parties involved) it is upon the detailed practical problems that the Morpeth Committee has primarily concentrated. Communication between Morpeth and Whitehall has been frequent at both formal and informal levels and any incident difficulties have been rapidly resolved. The Government has recognised that all matters of detail were for resolution by the profession and has not sought to intervene when not directly concerned.

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answer to the question "What is profit?" The Morpeth Committee need feel no remorse in the EEC, which deals with the format of the accounts, is at present being discussed in Brussels on the assumption that the accountancy profession is that for many decades and the only accounts are prepared on a Historical Cost Basis. There is some provision to enable companies adopting another basis to be answered conclusively in the foreseeable future.

There is no present proposal to redefine what amount may legally be distributed (though a final decision has yet to be taken) and it is accepted that this would cause complications for auditors cannot be expected to judge the wisdom of the distribution policy of directors. With these considerations in view the Exposure Draft has adopted the pragmatic approach of presenting the relevant figures separately for users to interpret as they think most appropriate.

Effectively the key figure of profit (if that concept continues to have any relevance at all) is Current Cost Profit, meaning operating profit adjusted for interest, tax, minority interests, and extraordinary items.

The introduction of surpluses on revaluation and transfers to revaluation reserve are brought into an appropriation account upon the basis that items "below the line" are treated as being "unadmissible."

While not entering into the academic fray, I suspect that there may be some concern as to whether the exceptions permitted to enable gains on efficient buying to be included in operating profit are adequate to permit a reasonably realistic view of industrial earnings to emerge, or whether these earnings are now going to be significantly understated.

It is noteworthy that the problem of definition of earnings per share is not touched in the Exposure Draft.

The resolution of this problem could have important implications for the attraction of funds by industrial companies (in so far as they are seen as depending on stock market ratings).

Problems relating to taxation and price control were expressly excluded from the terms of reference of the Morpeth Committee. It is, however, made clear that the Committee regards it as desirable that Current Cost Accounting (CCA) should be used for price control and taxation purposes. With regard to price control, the question at the moment is somewhat academic since the present legislative basis expires on July 31 next, but insofar as the information in the Statement should be retained, the information in the Statement should be retained, and abandoned or shown in some other way.

No remorse

In some ways the most striking divergence of the Morpeth recommendation from the Sandilands concept is in the format which is proposed for the future statutory accounts of the Morpeth Group and the Inland Revenue already have started. The major question immediately is the treatment of stock, on which the Chancellor has promised discussions with industry and the accountancy profession.

None of these considerations takes into account problems re-

lated to the Common Market. The draft Fourth Directive of the EEC, which deals with the format of the accounts, is at present being discussed in Brussels on the assumption that the accountancy profession is that for many decades and the only accounts are prepared on a Historical Cost Basis. There is some provision to enable companies adopting another basis to be answered conclusively in the foreseeable future.

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AN ACADEMIC'S VIEW

The accountants' safe haven as far away as ever

BY W. T. BAXTER

WHEN DESIGNING a new kind of aeroplane from scratch, we might sensibly start by learning all we could about relevant theories of aerodynamics and existing planes. If instead we adopted several discordant and dubious principles—if we ignored the experience of others—if we said yes engines are good, but so are diesels, so let's stick both in—if we relegated the design of different bits to groups working apart—if we went helter-skelter for jumbo size—then our invention might not inspire maximum confidence.

The Morpeth committee is hardly to be blamed if its new Standard, out-to-day, bears some likeness to that plane. They were made to work at speed, and can with reason plead that lack of time forced them to skip preliminary studies and take short cuts.

They suffered even worse constraint. The committee was set up, on Government orders, to show accountants how to put into effect the ideas in the Sandilands report. Sandilands recommended that assets and debts should be stated at current value, but the owners' capital, reserves, etc. should be left at historical cost. It rejected out of hand all use of the general index—which means that the Sandilands system fails completely to perform two of cash, etc., as worked out in a separate CPP statement. CCA and CPP can in fact be blended elegantly, by what the Background Paper to the report calls the "ideal" method. This takes time to understand or apply, and is rejected.

Let us now look at the main essential tasks of inflation accounting: to show loss or gain on money (for instance from owning or owing pounds worth their value sinks); and real gain or other items. If my house appreciates by 20 per cent, while the general index

rises 15 per cent, I have made proposals of the report. Assets rest of ordinary profit, and is to be shown at their current value, defined in the selective terms of Bonbright's "value to the owner" (deprival value). To interest (it is supposed to show my mind, this concept is best; it has hitherto been almost carefully about whether they are using fixed assets in the best way and will make published balance sheets far more realistic.

These defects were to some extent avoided in the accountants' own earlier model, standardised in Standard 7, and brushed aside by the Government. It uses historical cost raised with the general index—that is, it re-states the historical figures in current purchasing power (CPP) equivalents. Admittedly, this model is weak for asset values. But it does show gain and loss on monetary items, and also an income figure that is (to my mind) the best available, as it reflects increase in the owners' real wealth (in contrast to Sandilands' increase in physical quantity). It is fairly simple and objective, and has much in common with the tried systems of Latin America.

The Morpeth model dutifully retains the "current cost accounting" (CCA) figures of Sandilands, but tries to graft on some CPP refinement. It balance sheet follows Sandilands, in jumbling up current and historical values. Its income statement too starts like Sandilands, but at the end veers off with an appropriation for capital maintenance that may voluntarily allow for loss on holding shares.

The auditor's troubles must not be overlooked. He will have to verify the new values, yet they are often highly subjective, and must be estimated by directors who no doubt are mainly competent, staid, and honest—but sometimes are ignorant, or given to flights of fancy. The auditor may well need a new reporting formula to keep himself in the clear. Ordinary profit can be analysed between holding gain and operating profit. Holding gain is growth in value of inputs (stock used or the year's slice of a depreciating asset) between purchase and sale dates. Operating profit is the

Suppose the directors choose physical sense, but they now see revaluation (nominal and real, dard can plead that full discus

to plough the gain back and so that they want value, not tons. unrealised and realised, on everything save monetary assets. That increase may take place in the form of, say, an extra

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GUIDE FOR FINANCE DIRECTORS

A company's handbook

BY MICHAEL LAFFERTY

THE PUBLICATION to-day of executives and employees to all deliberately to offset the limitations of historical cost accounts. The draft Fourth Directive on current cost accounting (CCA) is of major importance. For this the starting point under CCA all assets which are in use should suffer a depreciation charge. The financial director will be task to see that the new system is successfully implemented and that its implications are fully understood by all those in his company who use financial information.

From now on many organisations will be running courses on the ED 18 proposals and for many people this will prove to be the best means of getting an insight into the subject. In general the practical courses which have been in use for over 400 years. Therefore ED 18 is not like any other draft account.

Professional accountancy bodies will be arranging for obtaining information about the age, cost and location of items of plant and machinery. An immediate start should be made to prepare a plant register

Your company might find its profits are eliminated if no provision for deferred taxation is made. Before making any decision about deferred tax look back at your company's record over the past five years and then examine in detail your cash flow budgets for the next three years.

Professional valuation. If your company has revalued its land and buildings in recent years you should approach the valuer and discuss the best way of tackling valuations for CCA purposes. Valuers are supposed to be competitive among each other and you should not expect to pay full rates for repeat valuations.

Dividend policy. CCA may affect the dividend cover in your company's accounts. The financial director should estimate the effects of the introduction of ED 18 on the accounts and begin to calculate what proportion of holding gains may need to be distributed.

Goodwill. If your company's accounts include goodwill consider whether you can eliminate the goodwill against a revaluation surplus on fixed assets. The Accounting Standards Committee may require goodwill to be written off in the future. Rather than use future profits to eliminate what in CCA terms is a meaningless figure it is best eliminated against the revaluation reserve.

Wage negotiations may take place against the background of the results produced by the company. In which case all those involved in wage bargaining need to be made aware of the different type of information produced by CCA account.

Current purchasing power, i.e. the system, backed by the accounting profession in SSAP, that raises the historical cost of assets and inputs with the general index.

Current cost accounting i.e. the system, backed by the Sandilands Report, that uses current values of each asset and input.

Holding gain. Increase in an asset's value between the dates of purchase and sale.

Operating profit. Accounting records: Historical cost accounts will be required for at least four more years and it may well be that most companies will continue to maintain their accounting records in traditional form and make adjustments for CCA on subsidiary accounts. These are the cost of sales adjustment, the CCA value of fixed assets and the related depreciation, and the effect of inflation on the net monetary position of the business.

Notwithstanding the points discussed above, the Government believes that the interests of the nation require the introduction of the Current Cost principles into company accounting as soon as possible. This belief stems from a vigorously held view that the information emerging from CCA is likely to be a positive and valuable aid to management. Implicit in the whole thinking of the Morpeth Committee is the belief that the real value to industry and commerce of CCA lies in its adoption for management accounting, and that companies' information systems will benefit enormously from the introduction of integrated management accounting on this basis.

As ministers have asserted on numerous occasions the main thrust of Government economic policy lies in the regeneration of British industry: they believe it is valuable part will be played by the introduction of Current Cost Accounting—not just because we are living in inflationary conditions, but because for all conditions it is a better system of accounting in its own right.

(K. J. Sharp is head of the Government Accountancy Service)

Accounting profit. Profit found by the traditional (historical cost) system.

CPP. Current purchasing power, i.e. the system, backed by the accounting profession in SSAP, that raises the historical cost of assets and inputs with the general index.

CCA. Current cost accounting i.e. the system, backed by the Sandilands Report, that uses current values of each asset and input.

Holding gain. Increase in an asset's value between the dates of purchase and sale.

Operating profit. Accounting profit with the holding gain taken out.

Real gain. Gain over and above historical cost raised with the general index.

SSAP. The accounting profession's CPP reform plan, geared to the general index.

Value to the owner (deprival value). Value found by selecting the most relevant of replacement cost, sale proceeds, and value in use—usually replacement cost.

people falsely assume that under ED 18 charges for depreciation on "Price Numbers for Current

in company accounts will leap to Cost Accounting." More sophisticated information is available

to make them aware of the work required and the cost of reprogramming.

Auditors. Your company's auditors are unlikely to be in a better position at present than you are to plan for CCA. It is however wise to remove any possibility of conflict before you make any changes. It would therefore pay you to clear your plans with them before implementation.

ED 18 charges for depreciation on "Price Numbers for Current

in company accounts will leap to Cost Accounting." More sophisticated information is available

to make them aware of the work required and the cost of reprogramming.

Perhaps the issues go deeper than we like to acknowledge. The kind of measurement with which we are all most familiar is that of physical quantities (for example weights); and it can differ in nature from measurement of more subjective things. If Miss X tests her weight on two machines at Blackpool, and the machines disagree, we can reasonably hold that at least one of them is wrong. But if she goes in for a diving or a beauty competition, and each judge gives her a different mark, the disagreement need not suggest incompetence.

A beauty standard could impose uniformly only if it confined itself to physical traits. Thus it could order the judges to choose the girl whose statistics came nearest to 33-24-34.

But then the winner might so lack charm that most viewers would say the decision was daft.

Likewise the measurement of wealth is largely subjective, and standard figures may be uniform but absurd. Even the wisest

standard may not bring accountants to the calmer haven that they are seeking so earnestly. And this standard is far from wise.

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Arthur Smith, Midlands Correspondent, examines the working of the Government's accelerated investment scheme.

Working out a new deal with industry

THE CHANCELLOR is expected to generate investment expected to announce details in of £800m, and create 10,000 his imminent package of jobs.

measures of a new £100m scheme to encourage investment in manufacturing industry. While the exact terms and conditions on which the funds will be offered remain to be disclosed, it will draw heavily on the past 18 months' experience with the accelerated investment scheme.

As a result of this experience, the Department of Industry believes effective and efficient machinery has been constructed to vet applications for State aid; more important still much of the hostility and suspicion between industry and Whitehall has been broken down.

The new scheme will reflect the extent to which direct Government assistance has become detached from regional considerations—the problems of the depressed areas—and geared towards the needs of particular industrial sectors. The emphasis will be upon productivity and export potential rather than pure job creation.

Funds fudged

Though Mr. Denis Healey, the Chancellor, announced the accelerated investment scheme to a great fanfare in his April Budget last year, the exact funds available were fudged and the lower limit of eligibility was set at schemes costing £2.5m.

At the depth of recession, the Department of Industry had taken tentative steps to encourage companies to bring forward major schemes. Well-meaning as such an initiative might have been, it marked the period when Mr. Anthony Wedgwood Benn was Secretary of State for Industry, and controversy was raging about industrial planning agreements and worker participation.

Not only was the response to the scheme poor, but any signs of economic upturn receded and on September 26, 1975, the scheme was extended to embrace projects worth more than £1m. By November 5, Mr. Eric Varley had taken over as Industry Secretary, the limit was lowered to £500,000, and the time for application extended to the end of September this year. At the latest count on November 5 this year, the department had made 112 offers of assistance worth £80m.

OFFERS MADE UNDER THE ACCELERATED INVESTMENT SCHEME, AT NOV. 5, 1976

	Offers made	Projects	Cost £m.	Assistance £m.
Scotland	6	33.5	2.0	
Wales	2	16.0	2.5	
Northern	4	30.0	3.0	
Yorkshire and Humberside	10	137.5	21.5	
North West	14	59.0	8.0	
East Midlands	10	16.5	1.5	
West Midlands	23	74.0	8.5	
London and South East	9	21.0	2.0	
South West	11	34.0	3.0	
Eastern	13	113.0	15.5	
Projects in more than one region	10	67.0	12.5	
Total	112	601	80.0	

addition to reports in provincial newspapers and appearances on local radio and television. The three years starting next April, and marks a fundamental vision. The most successful extension of capacity. Capital approach, however, was from spending has been running at individual contact with the between £2m. and £3m. a year. managing directors of local but, according to Mr. Peter Williams, the deputy chairman, companies. The research department of the Department of the Board had decided by early Industry regional office drew up this year to defer the bulk of a list of 80 to 90 companies its planned £7.5m. investment likely to benefit from the in the five factories in North scheme and Mr. Thompson Staffordshire. "The schemes and his deputy visited them had been brought to an advanced stage of planning but, because of the economic problems of this country, uncontrollable inflation, and the fact that the U.S. as one of our major markets, was emerging only slowly from recession, we decided to postpone."

Uncertainty

As a result of these efforts, the West Midlands has already generated 23 offers providing Government assistance of £8m. towards investment totalling £2.5m. available to the Coventry-based Alfred Herbert machine tool company, £162.5m. to Chrysler U.K. and £2.800m. to British Leyland, half of which will be spent in the West Midlands. Not only this, but the region is benefiting from the ferrous foundry, machine tool, and clothing industries schemes.

Nor is it an accident that the West Midlands has emerged with most applications for the accelerated investment scheme.

Mr. John Thompson, regional director for the Department of Industry, says: "This was the best thing that had happened to the region. It had never before been eligible for direct Government assistance." Mr. Thompson mounted a publicity campaign for the scheme with details going out to the projects have in common that they will raise productivity and British Industry, local chambers of commerce and engineering export orders. At Wedgwood the investment

Projects initiated range from a £500,000 scheme to expand production by 25 per cent in one of the region's traditional industries at Chubb & Sons, so far allocated, more than 90 per cent, has been taken in the form of grants to companies which have borrowed elsewhere but accepted the government assistance as a contribution towards interest payments.

While complicated formulae exist for the way assistance should be advanced, in practice the accelerated investment scheme has worked largely on a basis of horse-trading between individual companies and the Department of Industry. Working to strict criteria of eligibility, based on factors such as the commercial viability of the project and its contribution to an improvement in the balance of payments. The Department has tried to keep its offers to the minimum and yet still encourage companies to bring forward investment.

Basic to the scheme has been the establishment by negotiation of the level of grant necessary to influence a company to proceed with a project. Once a deal was clinched, it could be dressed up according to the appropriate



Sir Arthur Bryan (right) at one of the Wedgwood potteries. Government cash will allow a £7.5m. investment plan to go ahead, providing an extra 1,000 jobs in North Staffordshire over the next three years. Were it not for State aid, the plan would have been shelved.

Assistance under the scheme was offered in the form of concessionary loans—usually around 4 per cent below the ruling market rate for a first class company—or as an interest relief cash grant. Of the £80m. and it should be noted that every £1 of Government money has brought forward more than £9 private capital—must be judged against the current bleak investment climate where uncertainty about the future, high interest rates and excess capacity militate against new ventures.

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Once a project had reached the point of a firm application and the initial vetting had been conducted, Mr. Odgers allocated it to one of his four deputy directors—senior financial executives recruited from top companies usually for a two-year period. Working to the terms and private sector skills had to be applied," says Mr. Graeme Odgers, director of the sector, usually in their early thirties and trained as financial analysts, chartered accountants or management consultants.

The unit required from companies the sort of information that any efficient Board would want from its executives in assessing a project, including

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Foot denies differences with PM on spending

By Justin Long,
Parliamentary Correspondent

MR. MICHAEL FOOT, Leader of the House, yesterday criticised newspaper reports about Ministerial differences of view over the wisdom of further public expenditure cuts.

Many sections of a weekend speech by Mr. Peter Shore, Environment Secretary, had put his observations on spending cuts "out of context". Mr. Foot maintained in the Commons.

While Tory MPs probed Mr. Shore's weekend contention on TV that it would be a "gross act of folly" to increase unemployment by premature public spending cuts, Labour backbenchers wanted to insert their views into the controversy.

"Is Mr. Foot aware that many moderate MPs on this side of the House will oppose total and nail any further deviation either from tax increases or further public expenditure?" said Mr. Christopher Price (Lab., Lewisham, N.W.).

Mr. Foot, replying on behalf of the Prime Minister during Mr. Callaghan's visit to The Hague, found he was handling a hot potato. He was not even sure he which MPs could properly be described as moderate. "Maybe the word should be outlawed," he suggested.

But the House still wanted to know whether other Ministers agreed with Mr. Shore on the spending cuts issue.

Mr. Shore's speech was, as usual, a "very wise and intelligent speech," declared Mr. Foot, and if his questioners studied it in detail they would see for themselves that it had been rendered out of context by many newspapers. What Mr. Shore had been doing was to put the cuts already made into perspective.

It was much better to have the subject discussed in that way rather than in the simplistic manner adopted on the other side of the House, said Mr. Foot.

Mr. Jonathan Aitken (C., Thanet, E.) suggested that Mr. Foot and Mr. Callaghan differed in their views about the present public expenditure situation—if Mr. Callaghan's recent speech to the Labour Party conference meant anything.

Mr. Foot dismissed the idea.

"I can assure Mr. Aitken that so far from there being the slightest margin of difference between the Prime Minister and myself, we are absolutely at one," he said.

Miners

Mr. Dennis Skinner, the Left-wing Labour MP for Bolsover, turned the exchanges to other matters he plainly thought might yield more information. He urged Mr. Foot to support the miners' claim for earlier retirement.

"I agree that miners have a strong case for a reduction in retirement ages," the Leader of the House said. "The Government is sympathetic to that view, too."

"But we have to proceed towards it in a way that does not destroy the social contract and do damage to the economic position of the country."

The Liberals switched the subject to devolution and Mr. Jo Grimond claimed that under Government proposals, Scotland would be hopelessly over-governed.

With this criticism reinforced by complaints from the Scottish Labour Party MP, Mr. Jim Sillars, Mr. Foot spent major part of this question-time period correctly arguing that MPs should give further study to the Government's proposals.

Time allocated for ship grants

A TIME LIMIT on applications for shipbuilding construction grants was announced by Mr. Gerald Kaufman, Industry Minister of State, in the Commons yesterday.

In a written reply, the Minister said that applications for ships delivered before December 1, 1975, have to be received by May 31, 1977, and applications for ships delivered in the year December 1975 to November 30, 1976, but he received by November 30, 1977. After that, applications must be received within a year of the date of delivery.

Healey hints at lower income tax

By JOHN HUNT

A STRONG HINT of income tax reductions in the spring Budget was given by Mr. Denis Healey, Chancellor of the Exchequer, in the Commons yesterday when he hit back at the Conservatives, who had put down a motion of no confidence in the Government's handling of the economy.

But he made it plain that any cut in direct taxation would depend on the type of deal which the Government could make with the unions over the third stage of incomes policy.

He hoped it would be possible to reach decisions on the new pay round in time for it to be reflected in the income-tax reliefs next spring.

At the same time, he indicated that he was looking favourably at the possibility of increasing the rate of Value Added Tax. He argued that as 50 per cent of family essentials were zero-rated for VAT, it had now become a progressive tax.

Mr. Healey made no apology for the length of time being taken in negotiating the new loan from the IMF. He likened it to a bridging loan and said there was no question of the Fund seeking to impose a massive dose of deflation on Britain or of enforcing a fundamental change in present Government policies.

On the question of reductions in public expenditure, the Chancellor warned that the cuts would not be painless. He also emphasised, however, that some of the "horror stories" in the Press recently bore little relation to the truth.

Unhappy

Looking to the future, he said the Government was thinking in terms of a national stabilisation programme covering at least two years, perhaps three. But he stressed that the immediate problem was to regain control of the pound sterling.

Mr. Healey also made it clear that he was very unhappy at a system which allowed many workers to receive more on social security when they were unemployed than they received in wages when they were working. This, he said, was another major problem which the Government had to consider.

The Government was deeply concerned about the size of the public sector borrowing requirement, said Mr. Healey. Decisions on direct taxation would be possible only in the spring Budget. It would be impossible to take such decisions until the slope of the third pay round was known.

The Government believed it was essential to continue the situation.

'Lame duck Chancellor'

SIR GEOFFREY HOWE, shadow for this country, to put together Chancellor, accused Mr. Healey a sensible economic package for being wrong in all his years ahead."

The British people would not forgive the Government if it produced yet another inadequate package which did not work and condemned the country to three months' misery waiting for the next round.

Sir Geoffrey said there had been enough half measures. "We must make a success of the mixed economy. The Government cannot look for help from the public sector. It is to the private sector that we must look for the restoration of health."

The real threat was the size of the public sector. The conquest of inflation and control of the money supply were of fundamental importance.

Liberal leader, Mr. David Steel, said the Liberals had no confidence in an alternative to VAT, increased.

Sir Geoffrey continued that Mr. Healey's policies were dependent on borrowing huge sums of money wherever it could be found and Conservatives had "absolutely no enthusiasm for the approach."

The country was "sick and tired" of the endless cliff-hanger as the Government tried to reconcile the demands of the National Executive of the Labour Party with those of the IMF.

Sir Geoffrey asked: "When is the Chancellor, or the Prime Minister, going to disclose the contents of the letter of intent? When is he going to announce whatever package is going to emerge?"

"This really is the last chance, not just for this Government but

Letter of application

BRITAIN'S LETTER of application to the IMF for the stand-by credit, now under negotiation, will be published as soon as it is conveniently can be, after the arrangements have finally been agreed, Mr. Denis Healey, Chancellor of the Exchequer, stated in the Commons yesterday.

Replies to written questions from Mr. Peter Rost (C., St. Denys), he pointed out in accordance with Fund practice, the formal letter of application by the UK would include a statement on the

recommendations of the International Monetary Fund and are always confidential."

All's well with the men from the IMF

BY PHILIP RAWSTORNE

MR. DENIS HEALEY'S recital in the Commons yesterday of the reductions in the spring Budget was given by Mr. Denis Healey, Chancellor of the Exchequer, in the Commons yesterday when he hit back at the Conservatives, who had put down a motion of no confidence in the Government's handling of the economy.

"I hope it will be possible to reach decisions on this matter in time for it to be reflected in the incometax provisions of the next Budget."

"If, in the meantime, figures show we have over-estimated the size of the adjustments needed to bring the borrowing requirement down to the right level next year, we may demand that we fall back into the economy by income-tax reliefs next spring."

No question of the visitors from Washington bringing with them a massive dose of deflation.

On the contrary, the IMF team agreed full-heartedly with the Government's prognosis; commended its industrial strategy as the right recuperative treatment; and so admired the beneficial effects of its contract with the unions that it was recommending its adoption world-wide.

There were no divisions, Mr. Healey reported, except in the feverish imaginations of the newspapers.

Like the Government the IMF believed that a two to three year "stabilisation programme" would be needed. And they were jointly concerned that any adjustments that had to be made should be done at once. "There should not have to be another bite at the cherry."

Mr. Healey did indicate that, even with the goodwill of the economic doctors, the cure could not be achieved altogether without pain. He hinted at further public spending cuts and VAT increases; continuing pay restraint, though sugared with income tax concessions.

The Government will decide," he concluded. "The IMF will then decide whether the Government has decided wisely."

Whatever the physical reality, Mr. Healey's account of the Government's negotiations with the IMF certainly had a depressing psychological effect on the Conservatives.

If the IMF were not asking for blood who would then listen to Sir Geoffrey Howe's stern demands? Very few with any degree of enthusiasm, it appeared.

Sir Geoffrey's charges that the Government was bringing the country to its knees, now often only a diet of false expectations," roused only Labor laughter.

"Nothing," he said, "so widely," he said, pointedly but ill-advisedly, focusing on the divisions in the Labour Party.

The IMF loan would bridge the gap in the Government's policies, Mr. Healey had said. But not even Mrs. Margaret Thatcher's heated intervention could diagnose the holes in the Tory alternative.

UNLESS THE Scottish Assembly was elected by proportional representation, a majority of nationalists—returned on a minority vote

—could feel they had a mandate to separate from the U.K., Lord Campbell of Croy (C.) warned in the Lords yesterday.

Lord Campbell, a former Scottish Secretary, who was ousted from Commons seat by the SNP said "There must be no mistaking it about the break up of the U.K."

Speaking in the resumed Queen's Speech debate, Lord Campbell said the Scottish and Welsh nationalists were aiming for independence—"the antithesis of devolution."

If the Government was not acting in the national interest, there should be a general election. But a third election in three years would only give an impression abroad that we were incapable of organising our political affairs.

We must make a success of the mixed economy. The Government cannot look for help from the public sector that we must look for the restoration of health."

The real threat was the size of the public sector. The conquest of inflation and control of the money supply were of fundamental importance.

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Sir Geoffrey asked: "When is the Chancellor, or the Prime Minister, going to disclose the contents of the letter of intent? When is he going to announce whatever package is going to emerge?"

"This really is the last chance, not just for this Government but

tightening up of the "need to know" principle."

The committee found that in a number of Government departments, all memoranda and minutes of the Cabinet were circulated to certain people as a matter of course, irrespective of whether the subject matter directly concerned the responsibilities of the particular department.

In some cases, access was also enjoyed by junior Ministers, certain senior permanent advisers and special advisers.

"It does not seem to us that regular circulation of Cabinet documents can be justified unless the Cabinet Office would draw up comprehensive instructions on security procedures incorporating any of the committee's recommendations which it accepts."

Therefore, it recommends that Cabinet minutes and memoranda should not be shown regularly to anyone within a department except on the specific instructions of the Minister to whom the documents are issued.

The appointment is also suggested of a Cabinet documents secretary in each department who would have responsibility for the safe-keeping of Cabinet documents.

The committee sees the need for tighter procedures for the transmission of documents and access to them. It proposes that the Cabinet Office would draw up comprehensive instructions on security procedures incorporating any of the committee's recommendations which it accepts.

Ennals warned on plan to limit benefit

LABOUR MISGIVINGS about benefit drawn by people on occupational pensions and pensions, unemployment pay were voiced in the Commons yesterday by Mr. George Cunningham (Lab., Islington S. and Finsbury).

Mr. Cunningham urged the Social Services Secretary, Mr. David Ennals, to persuade the Government not to "mail its colours to the wind."

The legislation which comes before the Commons to narrow its second reading proposed to limit the amount of unemployment which would produce hardship and discrimination.

Mr. S. Clinton Davis, Under-Secretary of State, submitted to the Committee, although this is a subject which has been considered extensively in the past. We are looking again at the various possibilities, in the light of suggestions made at the recent conference of the Guild of Alimony and Divorce Controllers. The variation in the police experience of the various authorities, the cost only be calculated on the basis of a detailed assessment of a particular proposal.

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FINANCIAL TIMES SURVEY

Wednesday December 1 1976

Iceland

The Icelandic economy is beginning to recover from one of the highest rates of inflation in Europe, while at the same time seeing international vindication of its decision to extend its territorial limits 200 miles offshore. But while relations with the EEC remain healthy, the Keflavik Nato base is still a domestic political thorn.

THE ICELANDERS are again at their favourite sport of bashing the British—or so it must seem to the distant water-trawlers of Grimsby and Hull. They have made it clear to Mr. Finn-Olav Gundelach, the EEC Commissioner negotiating with them on reciprocal fishing rights, that British vessels must stop fishing in their waters after today (December 1) on the expiry of the six-month agreement, which ended the third and was between Britain and Iceland.

The Icelandic attitude is tough but understandable when put against the historical and economic background. Most of them feel that they are winning their full independence as a nation for the first time to-day, when at last they can claim with Celts from Scotland and Ireland. In this century it has been the natural resource, the fish around their island. (Agreements with West Germany and Belgium are still in force but these cover mostly less valuable fish than the cod.)

Independence

After being for centuries a Danish colony Iceland gained political independence only in 1944. In 1941 Denmark made an agreement with Britain under which the fishing limits round Iceland was fixed at three miles with all fjords and bays wider than 10 miles open to trawling. That agreement was made against the wishes of the Icelanders and led to friction even then between the local inshore fishermen and foreign trawlers.

There are just over 219,000 Icelanders. They live immediately south of the Arctic Circle on a volcanic island

Living with new territory

By William Dullforce, Nordic Correspondent

103,000 sq. kms. in area, of which 12,000 sq. kms. consists of land and 11,000 sq. kms. of dried lava fields. The culminated area is 1,100 sq. kms. or just over 1 per cent of the total land area.

The Icelanders are descendants of Norse seafarers, mixed with Celts from Scotland and Ireland. In this century it has been the sea that they have won a standard of living only marginally lower than that of their Scandinavian cousins.

Only 13 per cent of them work in the fisheries but they provide three-quarters of the exports to pay for the imported goods without which that standard of living would collapse.

In October last year, having extended their fishing limits twice before, first to 12 and then to 50 miles, the Icelanders had the nerve to declare unilaterally a 200-mile exclusive fishing zone round their island.

It gives them control of 75,000 sq. kms. of sea. They said at the time that it would not be long before other nations, including those most fiercely opposed to their action, would proclaim their own 200-mile zones. Had the British Government been farsighted enough, it might have spared itself the cost of a third cod

BASIC STATISTICS

Area	38,710 sq. miles
Population	219,000
GNP	Kr. 185bn.
Per capita	Kr. 845,000
Trade (1975)	
Imports	Kr. 75bn.
Exports	Kr. 47.4bn.
Imports from U.K.	£24.9m.
Exports to U.K.	£16.2m.
Currency: Krona	£1 = Kr. 304

fishermen in EEC waters. This in fact Mr. Gundelach appears to be unable to do.

The Icelanders also feel that with their fishery experts demanding cuts in the allowable catch of the depleted cod and economists claiming that the fishing fleet has expanded too rapidly they have more than enough to do to reorganise their own fisheries.

In time, however, when feelings have calmed, longer-term views can prevail and the EEC succeeds in sorting out its internal fisheries policy, there could be a better chance of a fishing agreement with Iceland. The situation which comes into existence on January 1, when the EEC also moves to a 200-mile limit, reopens for the Icelanders the question of their future relations with Western Europe.

Iceland is a member of EFTA. She has a favourable trade agreement with the EEC, which only came into full effect last June, when the six-month fishing agreement with Britain allowed the ban on EEC imports of Icelandic fish to be lifted. Last year Iceland bought close to 45 per cent of her imports from the Community, which in return took only about 23 per cent of her exports.

INCOME

Trade with the EFTA countries is closer to balance with roughly 20 per cent of both imports and exports. Trade with the Soviet Union under a clearing agreement left Iceland with a deficit last year; she took close to 14 per cent of her imports, mostly oil, from the Russians but sent only just over 10 per cent of her exports in return. Finally, the U.S. is the biggest market for Icelandic fish, taking close to 30 per cent of her total exports in 1975 while supplying less than 10 per cent of her imports.

In the immediate future, however, the main preoccupation of Britain was at one time the Mr. Hallgrímsson and his Progressive partners is likely to be Icelandic fish and it was at least the economy and domestic party due to the successive conflicts and cod wars with the has shown the first tentative

Mr. Hallgrímsson has set up a special committee, including representatives of all the political parties, the unions and employers, to examine the causes of Iceland's excessive inflation and to prescribe remedies. The committee — as much a political as an economic exercise — aims at achieving a consensus in favour of a tough line on wage increases.

The Independence Party which is most accurately described as liberal/conservative, holds 25 of the 68 seats in the Althing and governs in coalition with the second largest party, the Progressive, which has 17 members and whose electoral base is in the Co-operative Movement and among the island's farmers. The Progressives are led by Mr. Olafur Johannesson, Mr. Hallgrímsson's predecessor as Premier. The coalition is an uneasy one. Recently there has been speculation that the Independents would like to sever the tie with the Progressives and seek instead a coalition with the People's Alliance (11 Althing seats) and the Social Democrats (5), who have greater influence in the trade unions.

It is probably too early for such a move but Independence Party tacticians undoubtedly have their eyes on the next general election due in 1978, when they hope to renew their mandate and when the prospect of a change in the coalition could promote their chances. Closer co-operation between the Independents and the People's Alliance could result in a more concerted economic and labour market policy, but it would also call for some interesting compromises over Iceland's link with Nato.

Inflation

If the continuing very high inflation rate is finally to be curbed, the new national wage agreement due to come into effect in May must restrict income rises. However, inflation itself, the real fall in Icelanders' living standards and discrepancies among income categories have stoked up the demand for substantial wage increases. This demand is reinforced by the improvement in this year's export prices, an improvement whose power has yet to be proved.

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Iceland.



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perfect place for clear-headed thinking—and only 23 hours from London by the big jets of Loftleidir and Icelandair.

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Growing tourist appeal

ICELAND—EUROPE'S second largest island—is off the beaten track geographically, but it is future. very much a part of the Iceland was settled in the 9th and 10th centuries by the Western community. Located in the North Atlantic, with its northernmost tip touching the Arctic Circle, Iceland is the most interesting for the tourist, who likes to get away from the crowded and who would enjoy the sparsely populated, but rugged nature of the "frost and fire" island.

The nature-lover visits Iceland because of its naked beauty, but the genuine Icelandic love for his/her rare birds and semi-tropic fauna is a heritage from the Celts. The businessman and the banker come to fish Vikings and Irish and Scots. The early blending of Norsemen in Europe's best salmon Celts may partly explain why people and to escape from the the Icelanders were the only tourists. If only for a week, Nordic people to produce great literature during the Middle Ages.

The Viking Sagas were written centuries ago. Sparse

Tourism is something very new in Iceland. It only started in the 1950s, shortly after the country became an independent nation. (It was for centuries a Danish colony). In 1950 only 4,000 tourists came to Iceland, for people living in the over 3 per cent of the total population at that time, according to Mr. Ludvig Hjalmtysson. It is a volcanic island with about 140,000 inhabitants. The National tourist Board, but this year a largely uninhabitable land area will be over 70,000, consisting of lava fields, glaciers, and sand dunes. Iceland's population is now about 220,000.

The tourist possibilities are being cautiously developed as a rather narrow coastal belt with a source of foreign income. Earnings are over 85 per cent in towns and fishing villages. The capital, GNP and about 4 per cent of Reykjavik, has a population of the labour force is engaged in about 90,000.

Foreigners visit Iceland mostly from the middle of May through the government and the people of Iceland, during the period of

realised the importance of bright nights, when time hardly seems to matter and the sun



Not the horrors of Heimaey Island, but a major tourist attraction—the aptly named hot water springs at Geysir.

spent a great deal of foreign currency on fish permits, up London and £416 from natural hot water instead of oil.

Frankfurt. Every year more and more tourists arrive from Western Europe and the U.S.

The only nationality on the decrease is the British. It is believed here that the reasons are the three so-called "cod wars" between Iceland and Britain. "This is very sad, because we are great friends of the British people.

We are also very pro-British in almost every way," says one of Iceland's leading tourist agents.

After each episode of the cod war most Icelanders forget the conflict and expect to resume good relations with the British

I have not felt any hostility here. On the other hand, it amazes me how extensive British influence is in this place," said a British industrialist in Reykjavik bar only

days after the settlement of the last cod conflict.

Jon Magnusson
Reykjavik Correspondent

Salmon

Reykjavik has much which is different to offer the tourist. There are outdoor swimming pools heated by water from hot springs. One of Europe's best salmon rivers is right in the middle of the city. Its central heating system uses cheap, every summer in his private executive jet, along with a few friends.

For the less affluent Icelandic

air offers a number of package

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Bird-watchers can get four days

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Icelandic sheep and lamb skins are also an important export item. Skins are exported both semi-tanned and fully tanned. A spokesman for the Export Board said that the goal is to double the export of wool and skins within the next three years from a value of \$13.4m. in 1975 to \$26.5m. in 1978.

J.M.

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Sudurnes Geothermal Authority in this important venture: by giving financial counsel, by providing part of the domestic funds and by helping, through its international contacts, to obtain external credits.

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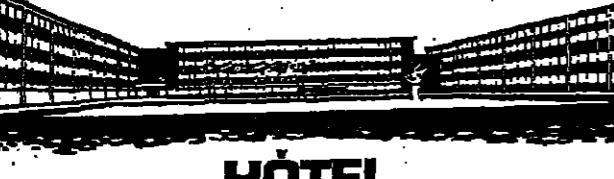
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ICELANDERS live precariously. Not only do they inhabit a volcanic island, their livelihood depends on the shifting, barely predictable fish stocks in the stormy waters of their continental shelf. This platform, where the warm water of the Gulf Stream mingles with cold nutrient currents from the Arctic, is an ideal habitat for the spawning and feeding of several species of edible fish, most notably the cod. But the vagaries of the fish and the relatively haphazard organisation of the fishing — despite the advances in fish detection techniques — introduce many chance factors into the industry. These are compounded by the frequent fluctuations in fish prices on the export markets, which make the Icelandic economy one of the most volatile in the Western world and impinge directly on the living standards of each Icelander.

The introduction of the 200-mile limit and the growing appreciation of the need for stock conservation among the fishing nations of the North-East Atlantic at last make it possible for the Icelanders to think about managing their richest natural resource on sound biological and economic lines. But it is no simple matter.

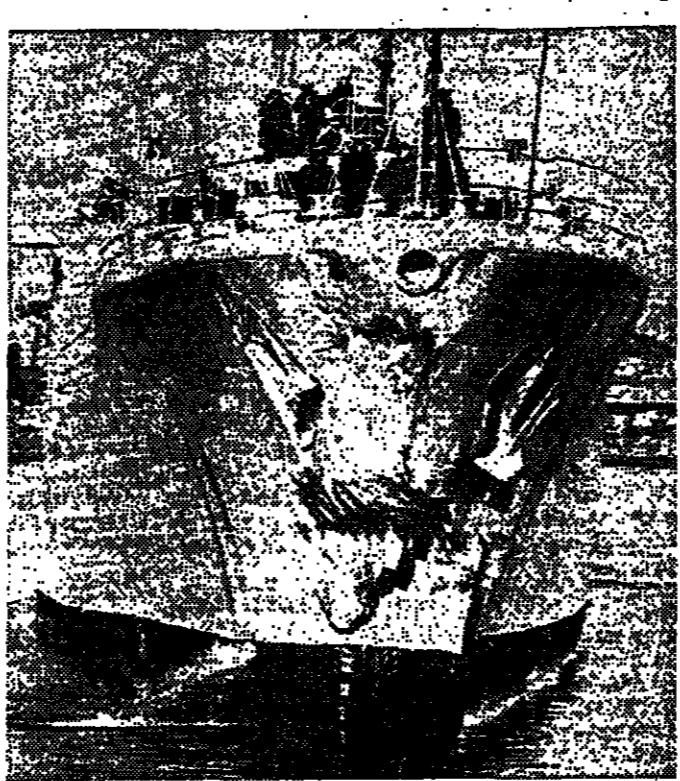
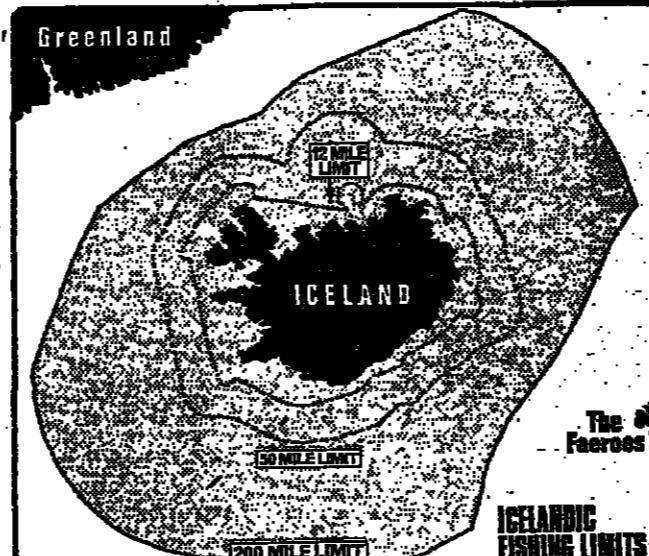
In the 1960s the herring, which then contributed about half the total Icelandic catch, all but disappeared. It has only just begun to revive after a ban of several years on all herring fishing off Iceland. Now the cod stock is under pressure and needs careful control of the allowable catch to restore it.

Exclusive

Even with exclusive control of their fishing grounds, the Icelanders cannot apply straightforward economic efficiency criteria to the management of their fisheries for sociological as well as biological reasons. Too many small, scattered, coastal communities are involved in the fishing. This dispersion is not only nurtured by local patriotism, it is also seen as a form of insurance. The fishing of Westmann Island was devastated in the eruption of 1973. Concentration of the fisheries into a few centres might be more efficient, but it would also expose Iceland to even heavier catastrophes.

Employment in the fishing fleet varies seasonally, but in 1975 the monthly average was just over 5,000, rising to around 6,000 in the peak months of March and April. These figures exclude those working in the processing plants and give an inaccurate picture of the importance of the fisheries for the economy. More significant are the trade figures.

Last year fish products accounted for Ikr.37.4bn. of total exports of Ikr.47.4bn. In the first eight months of this year the fisheries provided 74 per cent of exports despite a surge in deliveries of aluminium from the stocks built up in 1975. When it is considered that Icelanders have to import nearly all the necessities of a Western-style living, including



HMS Yarmouth with the damage sustained in a collision with an Icelandic gunboat during the "cod war."

many basic foods, most consumer goods and practically all raw materials and capital goods, of fishing, there will be no over-expansion, and redeploy some of the catch and market prospects and some will continue to prosper on lobster and shrimps.

But with the trend towards larger units in the fishing fleet, it is difficult to see how some of the smaller plants can survive. This in turn will pose a problem for the Government.

The Icelandic fishing industry has been for many years a prime example of private enterprise, vigorous, competitive and untidy. In the immediate post-war years fishing was more seasonal with the bulk of the fleet moving to the Southern grounds in winter and back to the North in summer. Now the fleet is smaller in number, more diversified and fishing is becoming a year-round operation. There is less mobility among the fishermen, who with increasing prosperity prefer to stay put in their local fishing communities.

Most Icelanders regard the introduction of the 200-mile limit as the culmination of their dreams. Fewer yet realise that the continuing dependence of the economy on fishing coupled with the uncertainties about the fish stocks must inevitably lead to stricter regulations and further restructuring of the industry. One wonders how all the small fishing communities will be able to preserve a balance between their fishing and processing capacities.

The island waters can certainly no longer be regarded as the common property of all Icelanders. The closure of spawning grounds and other areas must imply some priorities for local fishermen in recompense. The government has to intensify its resource management with fish stock control technique which are still in their infancy and impose it on men with a strong tradition of independence. The 200-mile limit is without doubt a wonderful opportunity but there are a lot of unresolved problems as well.

W.D.

The U.S. market took 74 per cent of all Iceland's frozen fish products in 1975 and frozen products accounted for well-over Ikr.16bn. of total fish exports of Ikr.37.4bn. The Icelandic Freezing Plants Corporation, which markets in America under the Coldwater name, processed some 60m. lbs of frozen fish in the U.S. last year and anticipates sales there this year of around \$135m. The Icelandic co-operative movement should sell another \$45m. worth.

The U.S. is now by far Iceland's biggest single market for fish products with Portugal, the market for stockfish, second, and the Soviet Union, from which Iceland imports its oil, in third place. The EEC, including Britain, remains the major market for fish meal but with the dropping of the EEC ban on Icelandic fish imports, the question arises of whether the Icelanders may find advantage in redeveloping the EEC market.

The U.S. takes the cod and haddock preferred also by the British housewife and its prices are high. This year they returned to the 1973 levels. Last month, however, the Icelandic trawler Ogti made a record return for a single trip of £78,800 when it landed 2,528 kits of fresh fish, mostly cod and plaice, at Grimsby. If British prices remain that high, it will be tempting for trawler skippers to ice their fish and speed for British ports rather than return to the freezing plants.

On the other hand the freezing plants provide employment and many of them are owned by the same people or local communities, who own the trawlers. And some Icelandic fishery experts believe their future EEC market lies on the Continent, especially in West Germany, where ocean perch and pollock can be sold, rather than in Britain.

Altogether the EEC countries will fish some 120,000 tons of all species in Icelandic waters this year, with the West Germans' 60,000-ton quota consisting mostly of ocean perch and 200 tons of fish or less a year to the bigger ones producing 34,000 tons of processed frozen fish annually. They have some built-in resilience in that many can switch easily to salting or drying, according to the nature



The frigate HMS Brighton refuelling from the Royal Fleet Auxiliary Tidepool during "cod war" patrol off Iceland earlier this year.

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COMPANY NEWS + COMMENT

Sterling depreciation boosts Rothmans

UP £8.5m. to £29.15m. midway. pre-tax profits of tobacco manufacturers, Rothmans International benefited from the continued depreciation of sterling.

The depreciation increased not only the sterling value of the related foreign currency earnings from exports but also the sterling value of the profits of overseas subsidiaries and associates. After taking into account bond interest, the conversion of these overseas profits at current rates compared with those applicable in September 1973 has contributed £3.3m. to the increase in profit.

Overall sales performance was in line with the comparable period in 1973, with improving trends in sales of the group's international brands of cigarettes offset by lower sales in certain areas mainly due to general economic conditions in those markets.

In the U.K. there have been satisfactory volume increases while the strong growth in export sales has been maintained.

The interim dividend per 10p share rises from 8.6p to 9.6p, net at a cost of £1.02m. (10.94%). The directors forecast a 1.823p total for the full year. Last year's total was 1.653p from profits of 2.104m.

Six months to Year ended 30th April 1976 1975 1974

Turnover £11.76 35.4% £12.06 14

Trade profit 11.48 21.5% 12.57

Interest 1.19 3.6% 10.6

Profit before tax 29.15 29.28 40.41

Corporation tax 1.16 2.09 1.28

Net profit 22.99 2.91 29.71

Attributable 2.29 2.61 2.17

A includes tobacco duty, and all other state taxes where applicable, but excludes VAT. Figures in turnover are influenced by exchange rates and taxes are based on exchange rates where these carry on business, and accordingly do not necessarily reflect the changing volume of business transacted. On

HIGHLIGHTS

Lex takes a look at the Morpeth report on Current Cost Accounting as well as the Stock Exchange inquiry into share-dealing in Suits along with other related matters. Elsewhere, profits are well ahead at ICL and, for the first time for five years, the company has paid more than a nominal dividend. It appears that the dividend for the year at Swan Hunter is safe but the current work load suggests a difficult road ahead. Rothmans has seen a sharp increase in profits at the half-way stage thanks to the help of currency movements, while at Alfriston the first half has apparently suffered from the hot summer but some upturn in activity is now being seen. Once again the engineering division at Ropner has saved the day and, with growth in insurance broking, overall profits are 50 per cent. higher.

The figure for the year to April 30, 1976 was £300,021.

Tax for the six months takes £1.02m. (10.94%), leaving available to Ordinary holders £85,857 (£91,900). The interim dividend, already declared, is 10p (10.875p) per 25p share costing £76.238 (£86.888). Last year's total was 1.653p.

Total net assets (taking investments at market value, including the full investment currency premium where applicable, but before deducting debenture and loan stocks and current assets) on October 31, 1976 was £11,025,988 (£12,109,999) at April 30, 1976. Net asset value per Ordinary was 105p (122p), including an amount in respect of the full investment currency premium, of 17.1p (22p). Net asset value per share assuming full conversion of convertible loan stock was 106p (120p).

Wm. Jacks turns in £233,527

FOR THE year ended June 30, 1976 William Jacks & Co., overseas traders and manufacturers, motor car distributors and retailers, car distributors and retailers, a profit of £233,527 including associate profits of £23,300. For 1975-76 a profit of £461,1367 was turned in, including £234,548 as associates.

The directors point out that as a result of a change in presentation in respect of investment and associates the figures for 1974-75 are not comparable with those for 1975-76.

Turnover amounted to £7.50m. against £5.38m. After tax of £253,48 (£247,527), there is a loss of £1,721 (£214,340 profit) before deducting an extraordinary debit of £187,986 (£186,386 profit). The loss per 25p share is 0.4p (3.96p earnings).

There is again no dividend—the Preference is in arrears from May 31, 1974.

Referring to the sale of 50 per cent. of Skinner Manufacturing the chairman says that while this will assist the re-establishment of a proper working capital basis, additional sales of long term investments are necessary to provide the working capital he considers necessary.

Income, including imputation credit (after interest and management expenses) of Westpool Investment Trust amounted to £142,787, against £140,700, for the half year to October 31, 1976.

Westpool Trust

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Chown Secs. delayed

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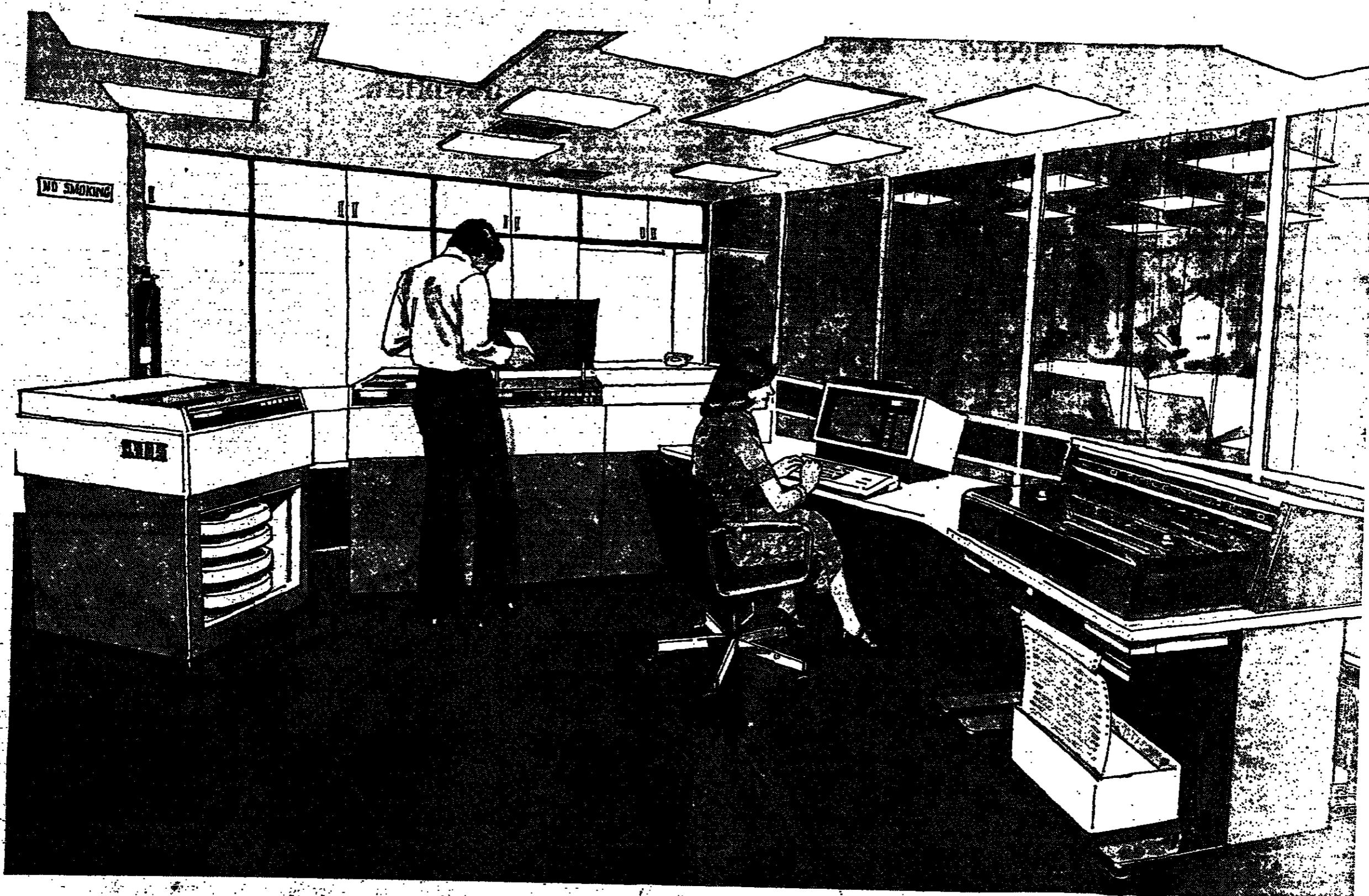
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Bulmer & Lumb (Holdings) Limited

The Wool and Synthetic Textile Group

Interim Statement

Unaudited results of the Group for the half year ended 3rd October 1976

	1976	1975	Year to
Group Turnover	10,214,790	6,577,982	14,384,788
Trading Profit	668,433	384,244	1,029,349
Interest payable	59,495	42,243	52,177
Depreciation	146,250	141,340	322,780
Profit before tax	460,688	200,681	624,412
Taxation	343,000	104,450	295,000
Profit after tax	217,688	96,211	329,412
Earnings per share	2.52p	1.10p	3.80p
Extraordinary profit after attributable tax	73,815	74,980	
Preference dividends	1,730	1,760	3,500
Ordinary dividends	106,207	98,582	217,112

An interim dividend has been declared of 12.25p per 20p share £108,207, payable on 24th January 1977 (previous 1.125p per share £96,552).

The improved trading conditions referred to in the Annual Report have been maintained. It is expected that the total dividend distribution for the year will be increased by the maximum permitted under present legislation.

Bulmer & Lumb (Holdings) Limited,
Buttershaw, Bradford, BD6 2NE.

F. COPSON CO. LTD.

Builders and Plumbers Merchants

Sanitaryware and Central Heating Supplies

Record profits again achieved

E. Copson (Chairman and Managing Director)

It is indeed gratifying to be able, once again, to report record profits. The group profit before taxation is £151,608, an increase of £34,000 (23%) over last year. Group turnover increased by £604,808 (31%) to £2,365,374. The results are particularly pleasing in these troubled economic times.

Both sides of our business have continued to make steady progress. The sanitary-ware section fortunately holds major contracts and the heating side has improved its position in the private sector. Considerable effort will be required in both sectors and this will be forthcoming.

Our subsidiary company, Osby, Warr, Air Limited, has again produced record profits which we anticipate will be maintained for the current year. Every effort is being and will be made to ensure the continued profitability of this company.

It is impossible to assess prospects for the future. We can, however, take some comfort from the fact that our turnover to date during the current year shows an improvement over the corresponding period of the year under review. Every effort will be made to maintain and improve both turnover, and profits and I shall be surprised and disappointed if these do not materialise.

Rowlinson

Mr. P. J. Rowlinson, Chairman, reports on the half-year ended 30th September, 1976:

- ★ Profit £602,700 against £321,300.
- ★ Second half expected to show a slight increase.
- ★ Best half-year yet for industrial and commercial division.
- ★ Funds available for further industrial estates.
- ★ Interim dividend 6.6% maximum possible.

Rowlinson Constructions Group Ltd.,
Ann Street, South Reddish, Stockport, SK5 7PR.

MINING NEWS

EZ Industries is cautious

BY KENNETH MARSTON, MINING EDITOR

AUSTRALIA'S zinc-producing EZ Industries may earn only 10 per cent. profit in its coming year to June, but the decision to close down despite the country's development. Our correspondent reports that at the Melbourne annual meeting the chairman, Sir Edward Cohen, said that the divestiture should produce some benefit in the second-half but if costs continued to increase, the results for the full year would be no better than in 1975-76.

He also intimated that zinc production which was recently lifted from 80 per cent. to 90 per cent. again if world demand did not improve. Indications of an improvement in the first half of the additional stocks were still high. We are keeping a careful watch on movements and trends in all markets to ensure that we do not suffer another rapid build-up of stocks with the consequential drain on liquidity," said Sir Edward.

Mr. Cohen also reported that the Elura silver-lead-zinc deposit in New South Wales had increased from 22m. tonnes to more than 27m. tonnes with grades being maintained. The company hoped to be in a position to decide by the end of 1978 on construction of a mine and concentrator.

However, the Golden Grove copper deposit in Western Australia, with reserves of 13.5m. tonnes averaging 3.50 per cent. copper would not be feasible until there was a substantial increase in the copper price. Three years ago, this deposit would have been profitable despite high infrastructure costs.

The meeting was enlivened by a large turn-up of proxy holders from Church and conservationist groups opposed to EZ's potential participation in the Ranger uranium project in the Northern Territory. Unions students and women's groups were also represented. Despite the opposition they gained no information on a possible development of Ranger where the partners are still waiting on a second report from the Government-appointed Ranger environmental inquiry. EZ Industries fell 20p to 330p yesterday.

CRA TAKE-OVER OF AM & S

The Rio Tinto-Zinc group's Canadian arm of Australia has acquired complete control of the lead-zinc-silver producer, Australian Mining and Smelting. A deal announced in October offered one CRA share for one AM & S share and covered the 26.5 per cent. of the AM & S equity not already owned by CRA.

CRA announces that it has received acceptances for 94.5 per cent. of the shares subject to the offer, which is worth some £1.5m. at the market price, pre-empting the offer.

One of the main reasons for the deal is to increase CRA's holding in CRA. Before the merger this was 80.5 per cent. Now it is 72.6 per cent. RTZ were 14.9p yesterday and CRA were 220p.

COURT DECISION ON LONRHO PLAN

Disident minority shareholders of Witbank Consolidated have failed in the first stage of their legal battle to prevent the merger of Witbank and Twofontein United Collieries under the umbrella of Durban Colliery.

An application brought by Field-Zwart Consultants to prevent the application of resolutions passed at a general meeting earlier this month in favour of the merger was dismissed in a Johannesburg court yesterday. Reports our correspondent.

U.S. OPEN-CAST COAL RESERVES

More than 15 times as much energy is contained in the coal deposits of the American states of Wyoming, Montana and North Dakota than in the oil and gas reserves of Alberta, Canada, according to a report of the U.S. think-tank, the Rand Corporation.

Rand states that the proven coal resources of the three states are 78.7bn. tons, of which three-quarters is of low sulphur content. The deposits could be developed by open-cast mining.

To avoid conflict over the regulation of open-cast mining, Rand suggests that the state and federal authorities should share control "with no single interest" considered to be predominant."

MORE BOTSWANA DIAMONDS

Opening the Botswana Parliament in Gabon yesterday Sir Seretse Khama mentioned the earlier announced expansion of the De Beers-Botswana Government joint venture at the Orapa diamond mine. Production is to be raised from the present annual rate of 2.35m. carats to 4.5m. carats by the end of 1978 at a cost in the region of R28m. (£19.5m.).

He also said that development of the nearby R22m. (£15.5m.) Letlhakane mine had been completed and that its diamond output is expected to reach about 200,000 carats next year on the way to an eventual annual production of about 320,000 carats. The small newcomer has a high gem diamond content of around 40 per cent. while Orapa has only about 15 per cent. gems, the rest being of industrial grade diamonds.

Grounds for Investment?

See Eurocharts
Coffee on
Page G752

EUROCHARTS
INFORMATION SERVICE

BIDS AND DEALS

Hepworth Ceramic U.S. purchase

Hepworth Ceramic has agreed a large capital. With the 176,450 \$12.2m. (£7.4m.) offer for W. S. share purchased during the offer, Dickie Clay Manufacturers no longer holds or U.S. which makes and distributes vitrified clay sewer pipes and other clay products in the southern and mid-western states.

In its last financial year, it made its lowest ever pre-tax profit of \$583,000 compared with \$577,000 in 1975-76.

Its net assets have recovered to \$863,000.

Our chairman, Mr. Edward Lumb, has become unconditional as to acceptances and remains open.

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REPORT TO INVESTORS from a company called TRW

TRW Reports Record Third Quarter and Nine Months.

TRW Inc., an international supplier of high technology products and services, reports record third quarter sales, earnings, and earnings per share.

Third quarter sales were \$708.2 million, a 12% increase over 1975 third quarter sales of \$629.8 million. Earnings after taxes and earnings per share each rose about 11%, reaching \$32.4 million or \$2.98 per share compared with \$29.2 million or \$2.88 per share a year ago.

For the nine months, TRW posted sales of \$2,174.5 million compared with \$1,905.7 million a year ago. Net earnings reached \$96.7 million or \$2.93 per share compared with \$72.6 million or \$2.13 per share for 1975's first nine months.

TRW operating units serving worldwide automotive original equipment and replacement markets paced the company's performance in the quarter. Good results were also reported by units serving

TRW STATISTICAL SUMMARY

(Dollar amounts in millions except per share data)

THIRD QUARTER	1976	1975 (Restated)
Sales.....	\$ 708.2	\$ 629.8
Pre-Tax Profit.....	56.7	50.7
Net Earnings.....	32.4	29.2
Earnings Per Share		
Primary.....	.98	.88
Fully Diluted.....	.89	.80
Dividends Per Common Share.....	.35	.30
NINE MONTHS		
Sales.....	2,174.5	1,905.7
Pre-Tax Profit.....	190.4	130.0
Net Earnings.....	96.7	72.6
Earnings Per Share		
Primary.....	2.93	2.13
Fully Diluted.....	2.64	2.01
Dividends Per Common Share.....	1.00	.90
Common Shares		
Outstanding.....	27,602,000	27,451,000
Average and Equivalents.....	28,512,000	27,885,000

commercial data communications, spacecraft and aircraft markets.

If you would like further information on TRW, please write for a copy of our latest Quarterly Report: TRW Europe Inc., 25 St. James's Street, London SW1A 1HA.

A COMPANY CALLED TRW

TRW technicians integrate experiments into the High Energy Astronomy Observatory due to be launched next year. The satellite will look at objects in the invisible, high-energy universe with x-ray and gamma ray instruments.

This advertisement appears as a matter of record only.



Canada Trustco Mortgage Company

Can. \$25,000,000
9½% Debentures due December 1, 1981
Issue Price 100%

Wood Gundy Limited
Dresdner Bank Aktiengesellschaft
Kuwait Investment Company (S.A.K.)
Orion Bank Limited
Salomon Brothers International Limited
Swiss Bank Corporation (Overseas) Limited
Union Bank of Switzerland (Securities) Limited

Amsterdam-Rotterdam Bank N.V.
Credit Suisse White Weld
Limited

Alahli Bank of Kuwait (K.S.C.)
Amex Bank Bache Halsey Stuart Inc.
Bank Gutzwiller, Kurz, Bungener
(Overseas) Limited
Banque Bruxelles Lambert S.A.
Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris S.A.
Bayerische Hypotheken- und Wechsel-Bank
Burns Fry Citicorp International Bank
Crédit Commercial de France
Deutsche Bank Deutsche Girozentrale-
Aktiengesellschaft
Dominion Securities Corporation Harris & Partners
First Boston (Europe) Antony Gibbs Holdings Ltd.
Khalij Commercial Bank Kidder, Peabody International
Kuhn, Loeb & Co. International
Kuwait International Investment Co. s.a.k.
McLeod, Young, Weir & Company
Merrill Lynch Royal Securities
W. C. Pitfield & Co. (London) Richardson Securities of Canada
Smith Barney, Harris Upham & Co.
Société Générale Tradition Securities
Westdeutsche Landesbank Girozentrale

Algemene Bank Nederland N.V.
Bank Heusser & Cie A.G.
Bank Leu International Ltd.
Banque Générale du Luxembourg S.A.
Banque Louis-Dreyfus
Banque Populaire Suisse S.A. Luxembourg
Berliner Handels- und Frankfurter Bank
Commerzbank
Aktingesellschaft
Dewaay & Associés International S.C.S.
Effectenbank-Warburg
Aktiengesellschaft
Greenshields Incorporated
Hambros Bank
Kreditbank N.V.
Société Générale de Banque S.A.

A. E. Ames & Co.
Banca del Gottardo
Continental Illinois
Limited
Kreditbank S.A. Luxembourg
Lévesque, Beaupré Inc.
Merrill Lynch International & Co.
Nesbitt, Thomson
Limited
J. Henry Schroder Wag & Co.
Limited
J. Vontobel & Co.
Girozentrale

Midland Doherty
Limited
Vereins- und Westbank
Aktiengesellschaft
Westdeutsche Landesbank Girozentrale

OSLO, Nov. 30

INTL. FINANCIAL AND COMPANY NEWS

Commission backs public appointees on bank boards

BY FAY GIESTER

A ROYAL COMMISSION which has been studying ways of reforming Norway's commercial banks to make them more democratic to-day delivered its report to the Minister of Finance, Mr. Per Kleppe.

Headed by a former Foreign Minister, Mr. Andreas Cappelen, the 17-member committee has taken nearly two years to reach its conclusions and is not unanimous on all of them.

A majority, however, favours one basic innovation—increasing the number of public appointees in the banks' representative councils so that shareholder-elected representatives would be in a minority.

The representative councils should be allowed to sell their sion's members had concluded

shares to the State, at any time there were no special grounds within three years after the for criticising the way they

work. They had "cleared away a lot

with the stock market price for of misunderstandings" and had the shares—either the price or the day the law takes effect or the banks to self-owned institu-

the average price over the previous five years, whichever is

higher. Apart from one member

(radical MP Mr. Finn Gustavsen) all were opposed to nationalising

the banks and assumed that the banks and agreed they should continue to be independent joint stock compa-

nies. While objecting to the proposal that shareholders' repre-

sentatives should become a minority on representative coun-

cils, Mr. Melander said he

was not convinced that Parliament would agree to this pro-

posal. "I won't believe it until I see it," he told the magazine

Norge Industrial.

On the whole, the reforms proposed in today's report are

moderate ones, compared with the basic guidelines for each

bank's activities, such as decisions on credit applications

should continue to be taken by

boards of directors.

Since the proposed reform would effectively disenfranchise

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INTL. FINANCIAL AND COMPANY NEWS

GERMAN CARTEL OFFICE

Yet another turning point

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE FEDERAL Cartel Office is, once again, at the crossroads. The Competition Act which it enforces, or tries to enforce, was thoroughly revised as recently as 1973, but much has changed since then.

Perched high on the crest of the booming "Wirtschaftswunder", the drafters of the very detailed Competition Act did not give thought to the possibility that it might also have to be operated in times of economic contraction or stagnation (the possibility of recession seemed downright unthinkable).

The penalty for this boundless optimism has manifested itself now in the form of this series of "defeats" suffered by the Federal Cartel Office recently in the eyes of the purists. The truth of the matter is that even the Cartel Office cannot stand fast against the winds of economic reality.

This has been decisively demonstrated by its decision to mess the rescue of Neckermann, one of the leading German mail order houses, by Karstadt, the largest departmental store enterprise in Europe.

There was no need to consider such niceties of anti-trust law as whether the Neckermann share in the market was significant nationally or only in great urban centres, nor whether competition would be impeded more by letting Neckermann go under than by allowing it to be acquired.

The acid criterion was the need to save 19,000 jobs. One month earlier the same consideration over jobs led the Minister of Economy to overrule the Cartel Office's veto of the proposed takeover of the Artois textile engineering group by Babcock. The issue no longer seems to be whether enterprises should be allowed to be saved, but how this should be done with proper regard for bureaucratic dignity.

Bureaucratic dignity is always approved of, any special rules in danger when law clashes with rescue mergers. In the event the political re- such circumstances the law responsibility was too big for the usually has to give way to this Office to hear. It gave way. And it is exactly what the cry now is immediately the cry went up in Germany. The 1973 Competition Act does not provide for the only way of restoring order rescue, takeovers and mergers, to this unhappy state of affairs. The Cartel Office is bound to was to change the law and oblige disallow mergers of a certain kind to size whenever competition is "genuine" rescue mergers. endangered and it is left to the. This is not the only impulse Minister of Economy to overrule towards law reform stimulated

... the issue no longer seems to be whether enterprises should be allowed to be saved, but how this should be done with proper regard for bureaucratic dignity. . . .

it on grounds of overriding by the Neckermann-Karstadt national interest.

That means that the Minister version of the Competition Act can approve the rescue operation only after the Cartel Office was drafted, cartels and restriction has banned it—and the law as devices used by manufacturers gives the Cartel Office plenty to keep up prices on a sellers' of time to think first—so that if market. But with the contraction the issue was left to the. The of economic activity, the German rescue could come too late. consumer goods market has been dominated by large retailing organisations of the Neckermann and Karstadt type.

German retail trade is much less concentrated than in Britain and the smaller retailers represent a considerable political force. They demand protection from the Cartel Office, but against the large chain stores which would not make use of its power are in a position to get special discounts and other advantages to stop the takeover.

This was a sudden about-turn. The Cartel Office gave observers of "sincere" perpetuated by such to understand earlier that it pliers seeking the favour of the would oppose the merger and its buyers have been compiled and recently appointed President, the trade organisation of the record when he said that he dis- record which would make rules

evolved by them for the protection of the small retailers mandatory.

Demands for a revision of the Competition Act have also come from other directions. The Consumer Council attached to the Rome Ministry of Economics is pressing for more consumer protection to be built into the law. It complains that the prescribed Retail Price Maintenance has returned through the back door, under the guise "not binding" price recommendations. Consumer organisations represented on the Council demand that they should be given the power to require the prohibition of specific agreements adversely affecting competition in the consumer, and to sue for damages on behalf of the consumer.

They demand similar powers in respect of misleading advertising, and want to take in legislation which would oblige the advertiser if challenged, to prove the truthfulness of his advertising.

The Consumer Council has also come forward with the far-reaching proposals that the scope of the Cartel Office should be enlarged to include the sectors so far exempt from its jurisdiction: agriculture, power generation and banking.

As far as banking is concerned, consumers have an influential ally. The German Monopolies Commission report for the period 1973-1975 now published in book-form proposes drastic restrictions on the control which banks exercise in Germany over industry. Banks should be prohibited to acquire further shares in enterprises in which they already hold a 5 per cent. equity interest.

Exemptions from this rule should come within the scope of the German Banking Act in Berlin, and not in the Cartel Office which would thus continue to operate on the fringe of important German trusts and cartels, which are set up and perpetuated by the departments of the large commercial banks.

AMERICAN COMPANIES

Philadelphia options approval

BY STEWART FLEMING

THE U.S. Securities and Exchange Commission has approved a proposal to permit specialists on the Philadelphia Stock Exchange to trade options in order to hedge their own positions. The specialists, who perform a similar role to jobbers in London in trying to maintain orderly markets, will not however be allowed to make markets in options.

The decision is significant because three other exchanges have similar applications in to the SEC which is the agency responsible for regulating share options markets.

The New York Stock Exchange and the Midwest Stock Exchange have presented similar proposals. There have been indications that the SEC is being particularly cautious about the NYSE proposal because of reservations about competition on the Exchange and also because of its importance as the major market in which the shares are traded.

In approving the Philadelphia application the SEC made the point that Philadelphia's total share of market volume in the stocks underlying the options is only 1.7 per cent. "There are no manipulative potential inherent in changing the current restrictions appears insignificant."

At present only "call" options to buy shares are allowed in the U.S. options market, although a number of applications to start trading "put" options to sell shares in the future at the

option price are being considered by the SEC.

Goldman acts for ARCO

ATLANTIC RICHFIELD Company (ARCO) has selected Goldman, Sachs and Co. to act as broker for the purchase of the company's various stock options, reports U.S. Los Angeles.

The purchases to be made by Goldman, Sachs will be on the open market and will commence in December. Substantially all the purchases of the company's stock for the options are currently made directly from the company.

The purchases will be subject to certain volume, timing and bidding restrictions imposed by the Securities and Exchange Commission.

U.S. bank confidence

FEAR has given way to confidence in the U.S. banking industry, a leading American banker said to-day.

"The calamities that some foresaw in the severe economic shakeout of 1974-75 which cut the market price of bank stocks in half have not come to pass," said Mr. Roger Anderson, chairman of Continental Illinois Corporation, holding company of the Continental Bank of Chicago, the seventh largest U.S. bank.

Mr. Anderson told a meeting

NEW YORK, Nov. 30.

of bank stock analysts in Chicago that American banks had a compound annual growth rate of 7.6 per cent since 1968, compared with a 4.8 per cent for the Dow Jones industrial average.

Earnings of the top ten U.S. banks showed continuous improvement over the first three quarters of 1976.

In the first quarter, three sets up over the year before, in the second quarter five were up in the third quarter seven were up, Mr. Anderson said.

Continental Bank itself was one of three to show year-to-date gains in each quarter and Mr. Anderson expressed confidence that fourth-quarter results for this year would be higher for the bank than for the same period in 1975 "barring unforeseen circumstances."

Realling that market values of stocks of the 24 banks on the Keefe Index had fallen by more than \$13bn. in 1974, values were now back to about 1971 levels, Mr. Anderson said.

Bank of America sale

Bank of America reports the sale of 60 per cent of its wholly owned subsidiary, Bank of America Nigeria. This divestment is in accordance with an announcement issued last June by the Nigerian Head of State.

The June statement decreed that the bank should have 60 per cent indigenous ownership by September 30, 1976.

EUROBONDS

Demand for Polysar

BY TONY HAWKINS

DEMAND for the \$25m. Polysar 10-year bullet issue is understood to have been very strong indeed. The Dow Chemical private placing increased from \$100m. to \$120m. has started strongly in the secondary market. The 10-year bonds carrying interest at 8 per cent and issued at par were trading yesterday at 101.10. There is a point down. But buyers were encouraged by the combination of a steadier tone in the currency in the afternoon and there is speculation that the size of the issue will be the dollar sector and at the lower price levels increased to between \$40m. and mainly reflecting month and at the lower price levels.

Accordingly, there was strong demand for the 10-year bonds. Canadian bonds were either untraded to-day with market sources reporting that it has been oversubscribed several times already.

However, very active conditions continued in the Canadian market. There was heavy selling in the morning on the dollar market. The price fell in the Canadian market, increased from \$100m. to \$120m. has started strongly in the secondary market. The 10-year bonds carrying interest at 8 per cent and issued at par were trading yesterday at 101.10.

Polysar has selected a number of underwriters for the issue. The lead manager is Wood, Bagshaw and Partners. The Dow Chemical private placing increased from \$100m. to \$120m. has started strongly in the secondary market. The 10-year bonds carrying interest at 8 per cent and issued at par were trading yesterday at 101.10.

BONDTRADE INDEX

Tuesday Monday

Medium 101.76 101.70

Convertible 93.41 92.40

Convertible 105.19 105.00

Fiat share rumours denied

By Tony Robinson

ROME, Nov. 30. INTERIM RUMOURS on the Italian Bourse and in Switzerland that the Agnelli family were negotiating to sell a packet of Fiat shares either to an Italian State Corporation, a U.S. motor manufacturer or to Arab interests were dismissed as being "completely unfounded" by the official Fiat spokesman Sig. Lucio di Montezemolo to-night.

He added that the rumours had arisen after a significant rise in Fiat Ordinary and privileged shares in recent weeks. Ordinary shares started the month around Lire1,400 and closed on the Turin Bourse to-day at Lire1,738 while the privileged shares were around Lire880 at the start of the month and closed to-day at Lire1,035. Lire20 down on yesterday's close.

The Fiat spokesman attributed the recent rise, accompanied by selective buying of other industrial stocks of the 24 on the Milan Bourse, to Fiat being one of the few quoted Italian companies to weight down by massive debts. While as the latest 5 per cent average price rise announced last week indicates, it has been able to keep prices in line with inflation. This explanation was endorsed by Milan Bourse sources who indicated that rumours of a share sale by the Agnelli family appeared to be a typical speculative manoeuvre.

Nine month sales gain at GB-Inno

By David Buchan

BRUSSELS, Nov. 30. INTERIM results for GB-Inno, Belgium's largest retailing chain, show turnover for the first nine months of this year at BFr4.45bn., which is 20 per cent up compared with the same period last year. Net provisional profit is set at BFr1.323m.—for a period that is generally much slacker than the past three months.

In 1975 GB-Inno turned a loss of BFr1.12m. for the first nine months into an overall profit for the year of BFr2.21m.

A GB-Inno spokesman said that it was still too early to guess whether the fall in sterling would lead many of their customers to shop abroad in Britain. But there conceded that many might be tempted to do so in the immediate run up to Christmas, particularly for more expensive items. The Brussels Press has carried reports that in recent weeks many Belgians returning from British shopping sprees have exceeded their duty-free allowances: only next July 1 will all remaining duties be abolished between the old and new EEC member states.

In line with Belgian practice, GB-Inno has not announced any interim dividend. It is only because of a recent recommendation from the Brussels Stock Exchange Council that an increasing number of companies are publishing at least some interim figures.

Int. Harvester recovery INTERNATIONAL

Int. Harvester reported a recovery in fourth quarter net profits to \$49.1m., or \$1.58 a share. In the comparable period last year, the company recorded a loss of \$91.8m.

These securities having been sold, this announcement appears as a matter of record only.

November 16, 1976

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Costs of cancer research

By DAVID FISHLOCK, Science Editor

"ANY FOOL can cure cancer been tried, and a handful iso- whose metastases (secondaries) Hospital" since the late 1960s—what takes brains is to cure cancer without killing your patient," remarked one of Britain's foremost cancer research workers at a seminar on the latest progress in treating this disease, arranged by the Cancer Research Campaign in London recently. Professor Philip Bondy, from the Institute of Cancer Research, had previously admitted that compared with the optimism being publicly paraded only a few years ago about finding a cure for cancer, progress had really been "terribly disappointing."

But even if it were unrealistic to talk about "having cancer on the run," he said, it was nonetheless true that the medical scientists had ideas for doing a good deal better in future.

The big problem now was that if the ideas were to work the scientists would need not only brains but a lot of cash—not for research but for treating patients.

Because cancer is such a common disease—between 20 and 30 per cent of Britons living today will die of cancer—it is not usually classed by the public as a costly disease to treat, compared with say treatment on an artificial kidney or organ transplantation. Yet it is expensive, and the path of greatest promise at present will take it into still more costly fields.

To give some idea, the protracted regimes for patients the scientists now talk about cost between £200 and £2,000 per patient per year in drugs alone, depending on which medical scientist you talk to and the particular regime he is advocating. But it is still only part of the cost of treatment that includes some of the most expensive machines used in medicine.

Any idea of finding a "cure for cancer," an idea that was buoyant in the 1960s, has completely evaporated to-day. Cancer is now recognised as a large group of very diverse diseases—comparable, say, to the infectious diseases—each of which will require a specific form of treatment. But, unlike the infectious diseases, the course it will take will differ significantly from patient to patient. So each will require a regime carefully tailored to his specific problems, synthesised by a team of specialists.

Treatment with drugs of one kind or another will be at the heart of the regime—chemotherapeutic agents which attack the tumour itself, hormones, immuno-suppressants, etc. A

recent study showing that by not worrying about removing the tumour in its entirety, but treating what remains by other techniques, patients have been given better chances of survival. Similarly, treatment with radiation—about half of all cancer patients are treated at some stage with radiation—is beginning to show much more promise when combined with other techniques. One example is a type of chemical called a "sensitiser" which makes the tumour cells—especially if deprived of oxygen—more susceptible to the ionising rays. Less conclusive at present is the idea, being tried at the Hammersmith Hospital, London, of placing the patient in an oxygen tank under pressure while he is receiving radiation treatment, to try to force extra oxygen into the tissues.

The likelihood of dramatic discoveries in treatment by X-rays or gamma-rays used since the discovery of radium, it is not very high. But the technology is still advancing in terms of the specificity of the treatment. At one end of the scale are the big machines such as the Van de Graaf accelerator nearing completion at Mount Vernon Hospital, near London, at a cost of £830,000. This machine will generate an unprecedented profusion of rays—X-rays, neutrons, protons, deuterons, d.c. electrons, pulsed electrons—all of which have excited attention. At the other end of the scale there are ingenious ways of introducing potent packages of radiation, in the form of radio-isotopes, deep into the body, close to the site of the tumour. In one case a robot is being developed to do this so that the medical staff will not become a target for cancer. "It is now becoming a very specialised area indeed."

At this point the surgeon comes into the picture. Removal of tumours is one of the main reasons for surgery nowadays. Ideally, the surgeon wants to remove intact the entire tumour and some healthy surrounding tissue which may have been infiltrated. How much healthy tissue he will want to remove depends on the cancer, its location, the stage in its development, and what the patient can stand. Often it will be less than the ideal amount.

Moreover, surgery obviously

depends on the cancer, its location, the stage in its development, and what the patient can stand. Often it will be less than the ideal amount.

Medical Research Council's cyclotron at the Hammersmith will still be cheap at the price

August 1974

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TDC 63

FINANCIAL TIMES SURVEY

Wednesday December 1 1976

Unit Load

Pallets and other unit load devices are essential to an efficient transport industry and are becoming more flexible in their use. But rising costs are forcing manufacturers and users to look carefully at the economics of these operations.

Adapting to new needs

By Lorne Barling

AS WITH many other industries, the introduction of new techniques and technology to the business of moving goods efficiently and securely has brought about fundamental changes. The simple wood pallet remains the basic tool of the industry, but it is being continually challenged by new products.

The country's major users of pallets or other forms of unit load, ranging from the major food manufacturers to heavy industry, have become more aware that for secure and efficient delivery of products, they must keep abreast of every innovation and improvement.

It has become increasingly clear to these companies, some of which buy up to 300,000 pallets a year, that these units must be adapted in the best possible way for the product concerned to be shipped efficiently against other overheads. In the past various forms of but the steep rise in the price of wood in recent years, exacerbated by the fall in the value of sterling, has had serious implications of protection have become more and more cost overall unit load industry, of which pallets remain the major part, with an annual U.K. turnover of £40m. The most widely used form of covering is plastic film, applied in two fundamentally different ways, but such a level as to prompt which has the major advantage of being hygienic and convenient if not difficult for would allow the recycling of pallets for further use, rather than

These are known as shrink wrap and stretch wrap, and are familiar to the consumer in the slightly different form in which they are used for packaging food and other consumer products. The supply of equipment for the purpose of covering unit loads has now become an important aspect of the industry.

More and more companies are examining the different types of products available to protect goods, such as the fastest expanding sector of the industry, the pallet box. This is basically a heavy duty board tally on the rental of pallets owned by GKN Chep, is claimed to be widely successful, but is goods which may be difficult to still far from the ultimate hope hold in place by normal industry—a truly national methods. Although not yet pallet pool.

It is apparent from recent statements by GKN Chep that the basic concern of the food manufacturing industry, as a whole, is how to achieve its aims at a reasonable cost. In the past the cost of pallets was never the GKN Chep pool, there regarded as particularly significant against other overheads. In the past various forms of but the steep rise in the price of wood in recent years, exacerbated by the fall in the value of



Stacking caged food items in the Tesco hypermarket at Irland.

the member companies and ex- have the membership of changed, rather than be owned companies such as Tate and Lyle, Brooke Bond Oxo, Allied Breweries, Colgate Palmolive computer and the need for and Rank Hovis McDougall to training them to a central prove the seriousness of their point for recycling would be claim. So far there have been eliminated. However, GKN Chep's inroads into the food industry, which accounts for around 42 per cent of the total market, cannot be discounted.

It is apparent from recent statements by GKN Chep that the basic concern of the food manufacturing industry, as a whole, is how to achieve its aims at a reasonable cost. In the past the cost of pallets was never the GKN Chep pool, there regarded as particularly significant against other overheads. In the past various forms of but the steep rise in the price of wood in recent years, exacerbated by the fall in the value of

some of which are available because of diversification, will be on display at the Unit Load Show being held at the Wembley Conference Centre, price of £2.50 to £4. the overall turnover of the U.K. manufacturing industry is up to £50m. In the wider context, there is no doubt about the overall growth in pallet use. It is estimated that at an average selling price of £2.50 to £4, the overall turnover of the U.K. manufacturing industry is up to £50m. a

There are indications that year, with production currently more companies may invest in about 12m units a year. The production facilities of this six largest companies produced kind, particularly for specialised about 48 per cent of the total jobs. For example, G. R. Stein and the top ten 58 per cent of Sheffield has set up manu-

facture of unit load products largest producer, has an annual output of about 12m pallets at an average price of £1.50 each.

At present pallet manufacturers are still working below capacity, although at an improved level compared with the start of the year, nevertheless, because of its dependence upon the food industry, and the persistence of losses, demand growth over the previous year was more than 12 per cent. The level of stocking in industry largest in any single year. It is predicted that around 400,000 pallets will be sold annually in the U.S. by 1985.

Triggered

Demand is also increasingly rationalisation of the industry is occurring in industrialised countries, it is increasingly determined largely by imported wood prices. Although the majority of timber used for pallets comes from Portugal, perhaps in the distant future, the price of this timber is There is no doubt that third usually dependent upon the world countries will play an important role in this development to dominate the market, particularly in relation to the transport of semi-finished products. But the implications are considerable when considering the \$1.70 barrier. Recent pallet traffic was palletised world-wide, and perhaps for sale on the open market.

A wide range of products

UNIT LOAD SHOW

Wembley Conference Centre
7-10 December 1976

Tuesday 10 am to 6 pm, Wednesday 10 am to 10 pm

Thursday 9 am to 6 pm, Friday 9 am to 4 pm

Exhibition - 75 companies
Conference - 44 speakers
Film Show and TV demonstrations
"Confrontation" with Raymond Baxter
Department of Industry report
on Pallet Wastage

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Additional information from
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The Unit Load Show
is devised and organised by Gordon Carlton
PALLET ENTERPRISES LTD.
PO Box No. 33W Wembley, Middx. HA9 9NU
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Admission to Exhibition and Conference by catalogue only, available from Pallet Enterprises Ltd. at the show - £2 (inc VAT).

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Nearest Underground Station - Wembley Park on the Metropolitan and Bakerloo Lines. Minibus shuttle service from Wembley Park Station to Conference Centre.

UNIT LOAD SHOW

EXHIBITORS

WCB-Clares
Upper 24/26

Bowaler Containers
Lower 274/76/302

Bakelite Nylontite
Lower 236/8

Department of Industry
(NEL)
Upper 162/4

Metal Products (Arden)
Upper 110/12

Parker Pallets
Upper 196/8

Ballinger Rawlings
Lower 230/32/42/44

Cases Pallets
Upper 64/72

Jewson Cases & Pallets
Upper 180/82

Sumapack
Upper 66/68/70

Unit Pallets
Lower 286/92

Timperley Engineering
Upper 142/44

Reed Corrugated Cases
Lower 282/4/94/6

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Lower 226/48

The Oford Group
Lower 206/8/22/24

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Upper 188/90

Caddie Products
Lower 210/12/18/20

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Lower 252/54/72

Rowlinsons (Wirebound
Containers)
Lower 256/8

Swiss-American Inc
Upper 106/8

Christian Salvesen
Pallets
Upper 58/78

Total Mechanical
Handling
Lower 268/70

Bamberger Materials
Handling
Lower 278/80/98/300

Swedapal
Upper 130/132

Holmens AB
Upper 136/38

UNIT LOAD II

High hopes for pallet pool plan

UNDoubtedly THE most significant event in the U.K. pallet industry in recent years has been the introduction of the GKN Chep pallet pool, which has wide implications for all concerned in their use and manufacture.

From a cautious if well prepared start in April last year, the company now has around 200 companies renting its pallets and about 2,000 handling them in total. It has about 450,000 pallets rented out and believes that figure can be doubled in the next year.

The operation took two years of market research and planning, followed by months of setting up. This involved recruiting and training about 100 people, obtaining national depot coverage, pallet procurement, specification, testing and other work. The new company concentrated mainly on the food industries at the start and has been largely successful in winning the confidence of major companies.

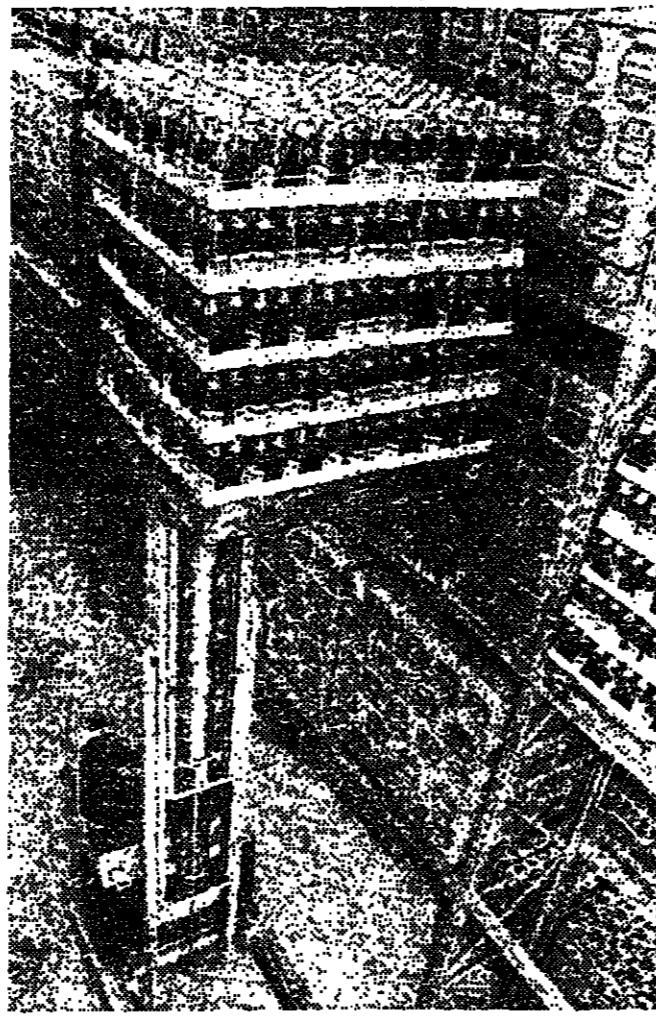
Mr. John Jessop, managing director of the company, recently outlined what he believed to be the most significant advantage of the scheme. The first of these concerned the quality and maintenance of the pallet, which could be kept consistent through pooling, second, one standard size and design of pallet had considerable handling advantages. There was also a great saving of labour in the reduction of sorting empty pallets. The more companies using the one standard pallet, the easier it is for warehouses to give the pallet turnaround service, so important for both retailers and their suppliers.

Support

He believed that the support of consignees was an important aspect, because without their co-operation no pallet control system could work in any industry, let alone the food industry.

The ability of companies to operate a pilot scheme with the company, to judge its application to particular circumstances, is also regarded as significant.

"Anyone in business in these hard times will, I am sure,



GKN Chep pallets in a groceries warehouse.

accept the fact that the decision to go over to a new and relatively untried system is not their own. Several public independent transport contractors in operating the system on behalf of others have undertaken lightly, nor without the expectation of financial tribulation.

Those who have completed their pilot programmes know that the savings can be very significant indeed," Mr. Jessop claimed.

The company is now concerned at the need to extend the rental responsibilities being undertaken lightly, nor without the expectation of financial tribulation.

Although the system has been adapted to conditions, it was set up to work on the basis of daily rental of pallets, with

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UNIT LOAD IV

Searching for new techniques

THE DRIVE for new developments in the pallet industry comes from two directions. First, the sector could provide another outlet for materials other than timber. So manufacturers of materials like plastic, paper and board, chipboard and so on have been searching for the right formulae for the commercial breakthrough they hope to achieve.

Then there is the search for the "expendable" pallet, one that costs so little while saving so much that the user does not mind it disappearing after one journey. Behind the search for the expendable pallet is the fact that so far there has been no satisfactory international pallet pool developed—all the pools which do exist operate within national boundaries.

Variety

The problem any designer faces when dealing with the pallet is that the pallet is not used just when goods are despatched. Pallets have to stand in warehouses and stores, often on beam racking. Pallets must be handled by a variety of equipment ranging from the human hand to cranes, and forklift trucks. Pallets often must be carried in several different vehicles on their journeys. Road vehicles of various kinds and an assortment of ships and barges can be involved.

It has been estimated that a pallet load of confectionery going from Birmingham in England to distributors in Sydney, Australia, will be handled on average 17 times before it reaches its final destination. To ask that this is successfully completed on a pallet manufactured at a very low price is asking a lot of industry.

The difficulties facing the potential manufacturer of expendable in the U.K. are even more severe. U.K. food manu-

facturers buy more than 4m. pallets a year and about half of them get lost, are stolen or go astray. Analysis has shown that the total cost per pallet journey within the U.K. food and grocery distribution system, including the basic purchase price, losses, repairs, amortisation and cost of capital, amounts to 65p.

So any suitable expendable pallet would be expected to do all that the conventional type will do and yet cost only 65p.

To get an indication of what has been achieved in cutting the cost of an individual pallet you can turn to those manufacturers who have produced some using timber with reduced specifications. These pallets are made to standard designs but with the deck boards reduced in thickness, use is made of inferior timber, fewer nails and less boards.

In this way the cost can be reduced to between half and two-thirds of the cost of a similar normal pallet. One new pallet of this type sells for between £1.40 and £1.60 compared with £3.10 to £3.30 for an ordinary pallet.

The fact that five companies are presenting plastic pallets at the Unit Load Show proves that this material is making a serious attempt to capture a good share of the market. These pallets are, of course, attacking the conventional timber market.

There are various benefits offered by plastic pallets. They are, for example, easily identifiable by colour and appearance.

A company can have its name moulded on to the pallet where-as identification signs wear off timber types. Plastic pallets are also easily cleaned, making them attractive for food handling. On top of all this they are always the size you want them to be (it is not so easy to produce exactly identical timber pallets) and they are lighter than timber.

The main disadvantage is that

paper and board companies are not only interested in attempting to find new markets for their products but are also big users of pallets themselves.

Much time and effort has gone into finding a satisfactory solution but so far without tremendous commercial success.

Polystyrene is light, cheap and can be moulded at no great cost and pallets made from this material will take light loads satisfactorily. At £1 for a 40 inch by 40 inch pallet, these

come nearer in price to being the ideal expendable pallet than any of the competition.

Nothing

Like paper and board pallets, those made from moulded chipboard or wood waste seem to suffer from performance problems and so far attempts to produce suitable pallets from re-cycled waste materials seem to have come to nothing.

At the Unit Load Show there will be on show a range of pallets capable of being made in standard size containers, such as fully automatically, at a high as the Bowfort container speed, from a variety of module, which are claimed to materials on a single machine. The \$400,000 machine can produce pallets from treated or untreated board, plywood, hard board, or a combination of these

to be consolidated into a single

unit, the modules enable the

stitches to destinations in Aus-

tralia, New Zealand and South Africa.

This means a faster container turnaround either at the manu-

facturer's factory or at the con-

tainer base. Loading is by for-

klift truck, diminishing handling

costs and because the loads are

distributed evenly within the

container, there is less risk of

damage in transit. Further

savings on direct packaging

costs, freight charges, labour

and space, are attributed to

the use of pallet boxes. Companies

such as Rank have used them

for transporting electrical equip-

ment, and W. and T. Avery, the

scale manufacturer, for moving

high-value and perhaps less-

their products.

Rank Optics said that they

mounted on pallets, often used

as additional protection not had

previously packed with their

optic fibre motorway indicators

generally provided by either

the manufacturer or the market

leader, having established its

product on the market some

years ago, when it was estimated

to have up to 80 per cent of

the total British market. The

which could have some bearing

on the present increase in

the price of pallets, formed by the means of demand. While this continues,

the use of waste paper for production of grades such as newsprint.

In the long term this is cer-

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ARMING AND RAW MATERIALS

Sharp fall in cocoa and coffee

By John Edwards,
Commodities Editor

THE DECLINE in cocoa prices on the London terminal market accelerated yesterday following a fresh wave of selling mainly by speculators taking their profits.

The March position closed \$6.75 lower at \$1,762.5 a tonne after having traded at a high of \$1,845. This compares with record prices of well over \$2,000 a tonne reached about a fortnight ago.

There has been no change in the fundamental supply-demand position to account for the sudden collapse in prices. It is seen mainly as a technical reaction to the recent surge upwards in coffee and the market became overbought.

Once under way, the decline triggered off stop-loss selling and made speculators increasingly nervous. The shakeout yesterday afternoon was mainly inspired by speculative sellers from New York putting the London market under renewed pressure.

Coffee prices on the London Robusta futures market also turned sharply downwards yesterday afternoon. The March position closed \$28 down at \$2,345 a tonne reversing earlier gains in the market during the morning and early afternoon.

Profit-taking selling forced London values and "snowballed" in a final active trading session that was extended by 18 minutes. The firm opening of the New York market, inspired by the decline, from the record levels reached on Monday, came despite prospect of a higher Colombian export price and unconfirmed reports that El Salvador had temporarily suspended export registrations.

World sugar stocks rise

WORLD SUGAR stocks in the year ended August 1976 rose by 2,727,000 tonnes to a total of 20,349,000 tonnes, according to final estimates of the 1975-76 marketing year issued yesterday by the UN.

Production is shown as having risen to 22,653,000 tonnes against 20,768,000 previously, while consumption rose to 19,945,000 tonnes compared with 19,842,000 in 1974-75.

The final estimates are closely in line with earlier forecasts and came as no surprise to the terminal market. However, values were easier reflecting the prospect of renewed selling by Colombia, Brazil and the Dominican Republic—leading exporters.

The Brazilian Sugar Institute confirmed it had sold white sugar recently, but claimed it was staying out of the raws market.

Potato stocks still at low level

By Peter Bullen

POTATO SUPPLIES this winter augmented again by imports as they were last year, the Potato Marketing Board's official estimate has shown.

Releasing details of its end of October census yesterday, the P.M.B. said it expected 2,195,000 tonnes suitable for consumption this winter, up from 1,800,000 tonnes last year's 1,900,000 tonnes. There are some 500,000 tonnes, about the available difference, in storage.

Wipeout of the frost at the end of October 1975 only 8,000 hectares remained to be lifted.

This year, at the same time, 58,000 hectares were in the ground because of lifting difficulties caused by the very wet weather. However, since the end of October improved conditions have enabled much of the backlog to be cleared.

The hot, dry summer which hit the yield this year, followed by the excessively wet autumn has also meant that the keeping quality of potatoes is poorer with much greater wastage in stored potatoes anticipated.

Probably the most important development this year is the demand side of the story. The high prices have caused a big drop in consumption.

The per capita consumption is down by over 30 per cent on the 1960 level and is even 23 per cent down on last year's level.

Retail prices are ranging from 5p to 16p a lb for loose potatoes compared with 7p to 16p a lb at the end of November 1976, which in turn was exactly double the price ruling at the equivalent time in 1974.

However, trade sources forecast that prices will probably remain in the region of 11p to 14p a lb for the rest of the season.

The Board points out that home-produced supplies will be

Peak price for Iceland fish catch

By Our Own Correspondent

COD COULD be \$1 a lb in the shops today. On the wholesale market at Hull yesterday, prices were the highest anyone could remember.

Cod fillets were fetching a record average \$8 a stone, with the top quality up to \$9. Codling fillets were an average \$7 a stone.

The trawler Hammonia Imae sold 2,000 stones each from Iceland for \$28,575, which was a world record until the Icelandic trawler Ogi, later sold 26,700 stones of fish for more than \$90,000.

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The Anglo-Icelandic fishing agreement ends today and British trawlers will be instructed by Fisheries Ministry "support" vessels to leave the 200-mile limit by midnight.

The alternative fishing grounds for British trawlers will be Bear Island, 2,000 miles from home, and the Faroe Sea—a 7,900-mile round trip.

Variable rate farm loans to cost more

By Our Commodities Staff

FROM TO-DAY the interest rate for both existing and new variable rate loans made by the Agricultural Mortgage Corporation will be 17 per cent.

For those who already have a variable rate loan this will mean a rise of either 4 per cent from the 13 per cent level fixed on June 1, or 1 per cent from 16½ per cent for those arranged since October 19 when the last change was announced for new variable rate loans only.

The AMC says the rate for these loans, which account for some \$60m. of the Corporation's \$200m. lent to farmers, will be reviewed again on June 1, 1977. The lending rate of interest for new fixed rate loans remains at 10 per cent.

Mr Ian Sinclair, the Minister for Primary Industry, said the Corporation will lift the operating level of its flexible "take full account" of the devaluation. Price relatives, and details of the operation of reserves, will be at the auctions chairman, said: "It will be our intention to continue to support the wool market at the same Government remains firmly level—in terms of overseas committed to guaranteeing the currency—as before the devaluation.

"We do not want to see our customers who have recently bought wool disadvantaged, nor do we want to see the gathering market there is every expectation that the full benefit of devaluation will flow through to woolgrowers," he said.

The Australian Government expect the Corporation to be a

PERU MINING

Moving mountains for copper

By NICHOLAS ASHESHOV

ONE OF the world's biggest and most expensive new copper-mines was officially opened in Cajone last week with a ceremony which, significantly, was attended by Peru's military leaders as well as many important international mining financiers.

The mine, in the dry, brown coastal sierra of Peru's deep south—has cost \$730m. so far and the owners, Southern Peru Copper Corporation (SPCC), are still seeking a further \$54m. in "pipeline" finance.

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The alternative fishing grounds for British trawlers will be Bear Island, 2,000 miles from home, and the Faroe Sea—a 7,900-mile round trip.

With copper prices in the doldrums the extra money is proving hard to find. But the achievement in bringing Cajone to production marks the culmination of one of the hardest financial deals in international mining, as well as the completion of a great engineering project, including literally moving two mountains.

The saga started in 1969 when Southern Peru Copper signed an agreement with the year-old left-wing revolutionary Government of General Juan Velasco for the development of the mine. But for the next four years the company, despite a good track record and excellent connections, had to run what nationalised the copper mines amounting to approximately

local subsidiary of the Exxon U.S. Steel. There can, in short, be no better example of the difficulties of those who have never had a less propitious time for a U.S. copper company to bring a mine into production.

Peru's standard white wheat. Under the arrangements Wool Corporation to lift their "average" floor price for domestic market stabilisation, the increase reflects rises in production costs, freight and handling charges.

Some traders are talking of 2.55 cents per kilo purchased by the Corporation, but others expect

prices to range between 15 to 20 per cent of the offering as the Corporation uses its flexible reserve price powers to support the market.

As a lot of buyers are over

the western world will increase in 1977 if Calea, predicts, with increased production policy. However, the threat to prices from higher Chilean output may be eased to some extent by possible strike by the north American copper workers when existing labour contracts expire by mid-1977.

Reuter

As with most large mining projects, the money came mostly from suppliers financing of one kind or another or from the advanced sale of copper from the mine to refineries and traders. SPCC's owners will take about \$200 million dollars worth of borrowed money.

The final financing package is complex and expensive. It says the sagas started in 1969 when Southern Peru Copper

and Peru's traditional banking industrial oligarchy was hit by a barrage of left-wing legislation.

The World Bank and the International Development Bank

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Australian wool support price lifted

By KENNETH RANDALL

THE AUSTRALIAN Government has approved an increase in the "floor" price for wool from 21½ per cent following the devaluation of the Australian dollar.

Australian standard white wheat. Under the arrangements Wool Corporation to lift their "average" floor price for domestic market stabilisation, the increase reflects rises in production costs, freight and handling charges.

It was announced later that the Corporation will lift the operating level of its flexible reserve price for all wool types for various wool types and details of the operation of

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CANBERRA, Nov. 30.

THE Sydney wool futures market reopened with record trading of 2,555 lots. Prices rose sharply initially, especially in the near position, but later eased from the peaks.

There was another active day on the London wool futures market yesterday, too, with prices closing slightly lower on balance moving erratically.

Aluminium output resumed

MONTRÉAL, Nov. 30.

ALCAN REPORTED four powerfully-paid workers are working after a five-month strike, it is thought they can afford to play a waiting game.

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STOCK EXCHANGE REPORT

Equities close above worst but still highly sensitive
Index down 4.8 at 297.6, after 294.3—Australians lower again

Account Dealing Dates

Option
First Declara- Last Account
Dealing: 1 Nov. 11 Nov. 12 Nov. 23
Dealing: 1 Nov. 13 Nov. 25 Nov. 26 Dec. 7
29 Dec. 9 Dec. 10 Dec. 21
Dec. 12 Dec. 31 Jan. 12

"New time" dealing may take place from 9.30 a.m. two business days earlier.

Stock markets managed to shake off an early bout of depression and closed above the worst yesterday. British Funds led the way down initially on growing fears that the IMF loan may be granted on less harsh terms than expected, but earlier losses of 3 in this sector were wiped out following the surprising improvement in sterling, which was prompted by rumours from U.S. sources that the German Chancellor, Helmut Schmidt, would back the U.K. with loan facilities in the unlikely event that the IMF loan would not be forthcoming. The Government securities index gave up 0.24 to 35.10.

It was a similar story in the equity market where conditions were extremely thin and sensitive and resulted in much wider movements of prices of the shares compared with Gilt.

This was reflected in the FT 30-share index which touched its lowest of the day at 1 p.m. with a fall of 8.1 before recovering to close 4.8 lower on balances at 297.6. Although stock came on offer during the morning, selling was by no means heavy.

Secondary issues also gave ground: falls led by 3.1 in FT quoted Industrials and the FT Actuaries All-share index gave up 1.7 per cent. to 128.99. Bid speculation was still in evidence.

Australian issues remained dull in the 17.5 per cent. devaluation in the Australian dollar, but losses were less severe than on Monday.

Increasing speculation that the Government would take a soft option and rule out harsh economic measures reportedly demanded 203p and 175 respectively. National and Commercial eased

in gilt-edged. Ease was apparent at the opening, but this forced to deter sellers and further ground was lost, which brought the market extending to 1.5. The price action was not a factor until mid-afternoon when rumours of a possible German loan should the IMF negotiations break down, gave the rate a small fillip. A rally followed immediately in the Funds and earlier falls were reduced to before a fresh easing near the close left quotations down 1.5 on the day.

Southern Rhodesian bonds became reactionary on the changed atmosphere at the Geneva peace talks and the 21 per cent. 180-70 issue was lowered by 2 points to 182.

In a continuing low volume of business in the investment currency market, the premium eased to 100 per cent. for a loss of 11 points on sporadic arbitrage offerings. Yesterday's SE conversion factor was 0.7186 (0.7153).

Aust. Banks lower

Australian Banks continued to witt in the wake of that country's 17 per cent. currency devaluation. National Bank of Australia also shed 20 more to 200p for a loss of 11.1. Commercial Bank of Australia lost 13 more at 210p and Bank of New South Wales another 10 to 425p. Despite news of the record earnings, ANZ ran back 10 more to 300p. Elsewhere, the large Industrial concern, Broken Hill Proprietary lost a fresh 35 to 385p and the "new" declined 25 to 380p, while London Australian investments gave up 4 more to 74p.

Publicly given to the Boardroom dispute over the naming of Sir Harold Redditch's successor as 1976 low of 7p on small

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in gilt-edged. Ease was apparent at the opening, but this forced to deter sellers and further ground was lost, which brought the market extending to 1.5. The price action was not a factor until mid-afternoon when rumours of a possible German loan should the IMF negotiations break down, gave the rate a small fillip. A rally followed immediately in the Funds and earlier falls were reduced to before a fresh easing near the close left quotations down 1.5 on the day.

Southern Rhodesian bonds became reactionary on the changed atmosphere at the Geneva peace talks and the 21 per cent. 180-70 issue was lowered by 2 points to 182.

In a continuing low volume of business in the investment currency market, the premium eased to 100 per cent. for a loss of 11 points on sporadic arbitrage offerings. Yesterday's SE conversion factor was 0.7186 (0.7153).

Aust. Banks continued to witt in the wake of that country's 17 per cent. currency devaluation. National Bank of Australia also shed 20 more to 200p for a loss of 11.1. Commercial Bank of Australia lost 13 more at 210p and Bank of New South Wales another 10 to 425p. Despite news of the record earnings, ANZ ran back 10 more to 300p. Elsewhere, the large Industrial concern, Broken Hill Proprietary lost a fresh 35 to 385p and the "new" declined 25 to 380p, while London Australian investments gave up 4 more to 74p.

Publicly given to the Boardroom dispute over the naming of Sir Harold Redditch's successor as 1976 low of 7p on small

The big four clearing Banks were quiet again. Prices drifted

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